German economy

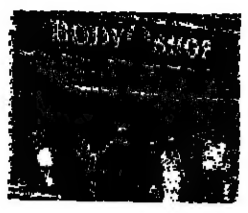
Indications gloomy

Page 20

Joe Rogaly

Labour has its work cut out.

Page 20



Survey

● *Franchising*

Pages 12 - 13

Review of business books

Separate section

Pharmaceuticals

Drug companies go back to nature

Page 17

FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 29 1992 — D8523A

Pakistani Airbus crashes in Nepal killing 167 people

A Pakistani airliner crashed near Nepal's Kathmandu airport yesterday as it tried to land in heavy rain. All 167 people aboard were killed. The passenger list of the Pakistan International Airlines Airbus 300 from Karachi included Spaniards, Pakistanis and Nepalis as well as Dutch, Italians, Britons and Americans. It was the second Airbus crash near Kathmandu within two months. Page 4

Assurances Générales de France, one of the country's biggest state-controlled insurers, reported interim net profits 24 per cent lower at FFr1.4bn ($270m) partly because of poor international performance. Page 23; Lex, Page 22

ICI shares fell 63p to 1145p in London after one of the UK company's own brokers lowered its profits forecast. Hoare Govett downgraded ICI stock from a "hold" to "overvalued". Page 24; London stocks, Page 32

Germany cancels V-2 rocket celebration

Germany abandoned a planned celebration next weekend of the 50th anniversary of the first launch of Hitler's V-2 rocket after criticism at home and in Britain. The decision by the German aerospace industry federation came shortly after Erich Riedl, parliamentary state secretary in the Bonn economics ministry, withdrew his official support for the event. Page 22

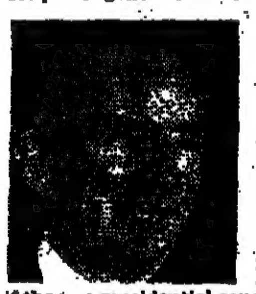
Money laundering treaty: Britain became the first country to ratify a European accord on combating money laundering from criminal activities. The agreement will come into effect once three states have ratified it.

Drug ring smashed: Italian and US police said they had smashed one of the world's biggest cocaine-smuggling and money-laundering networks in an international swoop that brought 200 arrests. Page 8

Middle East talks: Syrian said that the latest round of Middle East peace talks in Washington had failed because the new Israeli government was like the old on the issue of withdrawing from occupied territories. Page 22

TNT chief quits: Sir Peter Abeles, 68, confirmed long-running market rumours in Australia by resigning as head of debt-laden transport group TNT. Page 26; Observer, Page 21

Powergen, the privatised UK generator, is preparing a bid for part of eastern Germany's lignite industry with a view to using the fuel for power generation there. Page 23



Biding his time: Texas billionaire Ross Perot is taking his time in deciding whether to re-enter the US presidential race. He told TV viewers that he might not make his decision until the end of the week. Perot has said repeatedly he would run only if the two presidential candidates ignored the demands of his backers. Page 22

Glaxo of the UK, Europe's biggest drugs group, has won approval for its new migraine treatment Imigran to be used in France. Analysts believe the drug could become a $1bn-a-year seller. Page 23

Car jobs threatened: Some 150,000 European car industry jobs face the axe over the next eight years, forecasts UK consultancy Ludvigsen Associates. Their report argues that the job losses will come as manufacturers try to match Japanese efficiency standards. Study points to high cost of new cars, Page 3

India to open mines: India is throwing its mining sector open to foreign companies in the latest stage in its economic reform programme. The relevant legislation will be presented to parliament in November.

Fighting in Tajikistan: Scores of people were reported to have been killed in renewed violence in a southern town of Tajikistan, where supporters and opponents of ousted president Rakhmon Nabiyev have been fighting.

Noteworthy: A 100bn mark German banknote from 1924, the highest denomination note issued during the country's period of hyper-inflation, is to be auctioned in London next month.

■ STOCK MARKET INDICES		
FT-SE 100:	2,568.0	(−41.0)
Yield	4.71	
FT-SE Eurotrack 100	1,018.48	(−19.23)
FT-A All-Share	1,210.82	(−1.4%)
FT-A World Index	148.85	(−0.2%)
Nikkei	17,972.81	(−422.15)
New York:		
Dow Jones Ind Ave	3,278.26	(+25.94)
S&P Composite	416.62	(+2.27)
■ US CLOSING RATES		
Federal Funds:	3 3/8%	(3 1/4%)
3-mo Treas Bills: Yld	2.817%	(2.849%)
Long Bond	98 7/8	98 11/32
Yield	7.337%	(7.353%)
■ LONDON MONEY		
3-mo Interbank	9 1/16%	(9 1/4%)
Life long gilt future:	Sep 97 31/32	(Sep 96 1/2)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.40	(20.425)
■ Gold		
New York Comex (Sept)	$347.6	(349.2)
London	$348.15	(349.35)

■ STERLING		
New York:		
$	1.7285	(1.7317)
London:		
$	1.73	(1.715)
DM	2.51	(2.545)
FFr	8.485	(8.6175)
SFr	2.2	(2.2225)
Y	206.75	(206.5)
£ index	82.8	(82.9)
■ DOLLAR		
New York:		
DM	1.451	(1.4835)
FFr	4.8945	(5.01235)
SFr	1.2695	(1.2975)
Y	119.58	(120.92)
London:		
DM	1.451	(1.484)
FFr	4.8925	(5.025)
SFr	1.271	(1.296)
Y	119.59	(120.45)
$ Index	60.8	(61.5)
Tokyo close Y 119.65		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1 250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 18,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Lamont says UK is 'not isolated' in EC

Britain retreats over demand for reform of ERM

By Lionel Barber and Andrew Hill in Brussels

BRITAIN was last night retreating from its demands for an overhaul of the European exchange rate mechanism (ERM) after a barrage of criticism from its European partners.

At a meeting of European finance ministers in Brussels, Mr Norman Lamont, the chancellor, softened earlier charges that "fault lines" in the ERM forced sterling and the Italian lira to withdraw from the system.

Mr Lamont's retreat headed off the threat of British isolation on the ERM issue. Instead, EC ministers chose to emphasise a new consensus based on the need for early ratification of the Maastricht treaty, without renegotiation, and adherence to the strict economic convergence criteria as a pre-condition for joining a future European economic and monetary union (Emu).

In a four-point communique, ministers also stressed their opposition to a two-speed Europe with France and Germany leading a group of hard-core currencies into a monetary union. The aim was for all 12 members to proceed together, according to the Emu convergence criteria.

Mr Lamont gave a qualified apology for recent British criticism of Germany and the Bundesbank, saying that he was "sorry" if it had given offence but that "very frank" exchanges were sometimes needed.

The Brussels meeting was billed as an important session to prepare for the emergency European summit called by Mr John Major, UK prime minister, to discuss reform of the ERM and ratification of the Maastricht treaty, following its lukewarm endorsement in the French referendum.

But EC finance ministers mounted a fierce defence of the ERM and the European Monetary System, "a key factor economic stability and prosperity in Europe," according to the final communique.

Mr Lamont, a strong advocate of floating the pound outside the ERM and a critic of the Bundesbank's role in the sterling crisis, said he would now be satisfied "in large part" if the Birmingham summit confined itself to "technical" issues. Earlier, the British government had earlier made reform a precondition for sterling's re-entry into the ERM and a key issue at Birmingham.

Mr Lamont also stressed that these "technical" issues would be part of a "medium-range" debate on the operation of the ERM. No ERM decisions which would affect the financial markets would be taken at Birmingham.

Mr Horst Köhler, state secretary in the German finance ministry, rejected British criticism: "We are not talking about the failure of the ERM but how the system's rules were not applied."

A senior Luxembourg official, echoing comments by other delegations unsympathetic to Britain, predicted that Birmingham "would not go down in the monetary history of the EC".

Despite his bruising encounter in Brussels, Mr Lamont denied that yesterday's meeting left Britain isolated. Other countries shared the UK's concerns about the monetary turbulence of the past fortnight. Mr Lamont said: "There was a range of views. Italy and Spain's views are not different from the views I hold."

THE ERM AND MAASTRICHT

Page 2

■ **Delors budget arguments**

■ **Bundesbank acts to curb money supply**

■ **French franc pays price for partnership with D-Mark**

■ **UK Tories' reaction** Page 10

Norman Lamont ponders the possibilities at yesterday's meeting of finance ministers in Brussels: he pledged that Britain would fulfil its duties as a member of the EMS

Kohl attempts to calm markets

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl yesterday reaffirmed his commitment to keep financial and budgetary policies under rigid control as a gloomy report from the respected Ifo economics institute hit German stock markets.

The chancellor and Mr Theo Waigel, finance minister, had stressed the need for strict policies at a meeting with industrialists in Mr Kohl's office because they were important for the confidence of commercial and financial markets, a government spokesman said.

Meanwhile, the Dax Frankfurt stock exchange index shed more than 2 per cent following a report of a sharp downturn in business expectations for the next six months.

The Ifo economics institute in Munich said expectations across a wide range of companies taking part in its monthly survey had "considerably worsened" following a marked fall in new orders last month.

Many were planning to reduce production because cuts so far had failed to reduce inventories.

The car industry is expected to be particularly hard hit. An industry trade group said orders this year would be a quarter to a third lower than 1991. Mr Achim Diekmann, director of the German Automobile Association, the industry's main trade group, said employment in the industry, including suppliers to the vehicle manufacturers, would fall by 100,000 to 200,000 from the total 1.7m employed in the sector.

Mr Diekmann also said order backlogs for German car manufacturers through August this year have fallen "by half" against the same period last year.

Business conditions in the east have also deteriorated. Order

Continued on Page 22

Economic powerhouse looks fragile, Page 20

Bundesbank acts to curb money supply, Page 3

Pound hits new low against D-Mark as franc rallies

By Our Economics and Foreign Staff

STERLING HIT a new low against the D-Mark last night while UK equities and gilts also lost ground as investors took a glum view of the UK's economic prospects now that the pound is floating.

Elsewhere in Europe, stocks and bonds slipped on worries that the German Bundesbank may take its time to ease credit policy, a move that may drive further into the distance the possibility of large cuts in interest rates across the continent.

Gloom about the economic outlook was particularly intense in Ireland, where the central bank was forced to increase interest rates by 3 percentage points to strengthen the punt, which has weakened in recent weeks amid the general turmoil on currency markets.

The French franc rallied to a close of FFr3.373 against the D-Mark, nearly 6 centimes above its floor, suggesting the united intervention of the Bundesbank and the Bank of France had stopped devaluation of the franc. Devaluation of the currency now looks unlikely.

The pound closed at DM 2.5080 in European trading, 27 pfennigs below its former ERM floor of DM2.778. Earlier, it had closed in London at DM2.51, down 3½ pfennigs on the day.

Sterling's weakness, even though Britain is no longer subject to the disciplines of the European ERM, may make it difficult for the UK government to sanction further cuts in interest rates.

Such sentiments took their toll on the London stock market, where the *FT-SE* 100 index of leading shares closed 41.0 off at 2,560.0, while gilts were down by up to ¼ point. But some of the selling pressure may have come from investors taking profits after the rise in share prices and short-dated gilts since sterling left the ERM on September 16.

The mood among UK investors to some degree reflected torpid sentiment elsewhere in Europe, caused by indications of a lack of strength in the European economy and uncertainty about the direction for currencies after recent strains on the ERM.

In Frankfurt and Paris, the bourses fell by 4 per cent and 2¼ per cent respectively, while the Swedish stock market suffered a decline of 4½ per cent.

Japanese fear exporters could be hurt as yen gains strength

By Charles Leadbeater in Tokyo

JAPANESE EXPORTERS could be badly hurt by the yen's recent rapid rise, Mr Gaishi Hiraiwa, chairman of the Keidanren, the country's federation of economic organisations, warned yesterday after the dollar slid to a record post-war low of Y119.65 at its close in Tokyo.

Mr Hiraiwa said the break-even point for most Japanese companies was a dollar exchange rate of Y120. Manufacturers could cope with a slow appreciation against the dollar but the government would need to take emergency measures to protect them against a rapid rise in the yen, he said.

Mr Hiraiwa reflected growing concern that the yen's rapid appreciation could badly affect exports, one of the few sources of growth in a largely stagnant economy.

The yen has strengthened markedly over the past week as investors have sought a haven from the turmoil in European currency markets.

The dollar was affected by worries that US employment data, due to be published later this week, will show the economy is still in recession.

Government officials meanwhile sent apparently conflicting signals about the authorities' stance. A senior official at the Ministry of Finance hinted that intervention to slow down the yen's rise was becoming more likely.

However, Mr Yuji Tanahashi, vice-minister at the Ministry of International Trade and Industry, said that most Japanese companies could cope with a stronger yen, which could help to curb Japan's growing trade surplus.

Most private sector analysts believe a further cut in interest rates is unlikely because the government would not resist a gradual appreciation of the yen to about Y115 to the dollar.

However, it is thought the authorities would intervene to slow the rate of the yen's appreciation.

Mr Tsutomu Hata, the finance minister, underlined this stance yesterday by stressing that the yen's level should be set by market forces.

Mr Hata indicated that the authorities' main concern was that the currency should move smoothly to a new exchange rate.

The depressed state of the domestic economy was highlighted by Miti figures showing large retailers' sales fell by 2 per

Continued on Page 22

Donations trial ruled out for Kanemaru ....Page 4

Tokyo banks near deal on property debts ....Page 4

CONTENTS

 No 31,874 Week No 40 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Bundesbank acts to curb money supply

By Andrew Fisher in Frankfurt

THE Bundesbank acted again yesterday to drain funds from the money market and prevent a further ballooning of the money supply in the wake of the heavy intervention on currency markets in recent weeks.

This week's round of securities repurchase agreements (repos), totalling DM28bn. (£11bn) would be cancelled, it said. Last week's DM20bn transaction also did not take place. Commercial banks use repos as a form of refinancing.

The German central bank also made use yesterday of Treasury bill offers and currency repos to banks for the seventh day running. They were issued at 8.8 per cent to run for three days.

Altogether, dealers estimated, the Bundesbank has now drained at least DM65bn from the money market, including the latest cancelled repo, with a remaining overhang of liquidity of between DM70bn and DM100bn.

Further liquidity draining operations were thus likely to occur in coming days, they added. This could mean that the DM16bn repo due next week could also be cancelled.

While the Bundesbank is concerned that the growth rate of M3, the broad monetary aggregate - already running well above its target range this year - should not be accelerated by the effect of the massive currency intervention, some economists think it could act more vigorously to remove liquidity.

"They have a lot of scope to compensate any short-term oversupply of central bank money supply", said Mr Peter Bofinger, economics professor at Würzburg university.

"They can absorb a huge amount of liquidity at very short notice."

He said the central bank should go more on the offensive and show its strength in the international foreign exchange and money markets.

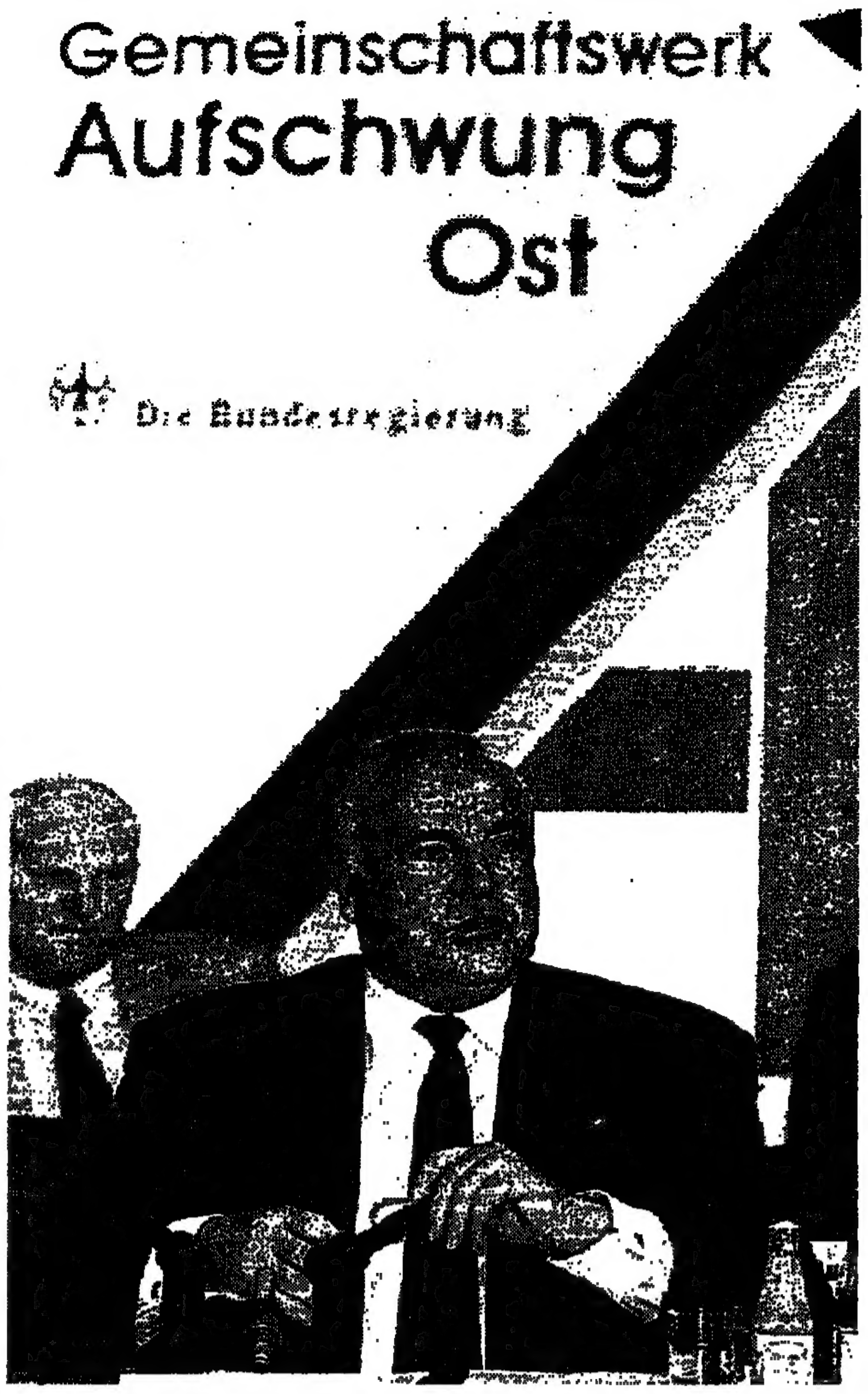
It is the rapid growth in M3, at a higher than expected annualised rate of 9 per cent in August against a 1992 target range of between 3.5 and 5.5 per cent, that mainly lies behind the Bundesbank's determination to keep interest rates high.

Last week economists forecast that an annualised expansion rate of more than 10 per cent could be recorded for M3 this month because of the liquidity created by unprecedented D-Mark central bank sales throughout Europe in recent weeks.

The Bundesbank cut interest rates two weeks ago as part of the lira devaluation package in the European exchange rate mechanism (ERM). But many German economists reckon it will now keep the Lombard rate at 9.5 per cent and the discount rate at 8.25 per cent.

There has been speculation of further cuts on Friday when the Bundesbank holds its next council meeting - outside Frankfurt in Schwerin in the east German state of Mecklenburg-Vorpommern.

But several economists said they expected no more reductions yet. Economists from Dresdner Bank, Nomura Research, and UBS Phillips & Drew said the Bundesbank would concentrate on trying to bring the money supply into line and thus dampen inflationary tendencies.



Recovery in the east proclaims the slogan – a matter much on the mind of Chancellor Helmut Kohl at a meeting yesterday with political and business leaders in Bonn

Weak sterling undermines the Irish punt

Ireland forced into sharp base rate rise

By Tim Coone in Dublin

THE Irish Central Bank yesterday raised its base rate by 3 percentage points to 13.75 percent, as sterling's weakness continued to undermine the punt on the foreign exchange markets and the Irish government reaffirmed its determination to keep the punt aligned with the German mark.

The rise in the central bank's key short term facility was triggered by a dramatic surge in short-term money market rates in Dublin to between 20 and 25 per cent at the end of last week, as speculative pressures drained liquidity from the market.

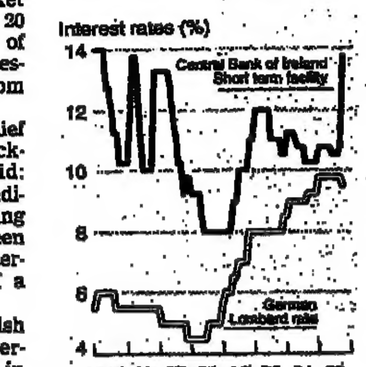
Mr Brendan Lynch, the chief economist at Bloxham stockbrokers in Dublin, said: "Almost everybody from individuals to companies trading in the UK market have been putting their money into sterling in the expectation of a devaluation (of the punt)."

Mr Bertie Ahern, the Irish finance minister, said yesterday, however: "It is clearly in the overall national interest that we continue with our existing exchange rate policy of maintaining the current parities of the Irish pound within the narrow band of the European Exchange Rate Mechanism."

He said low inflation (an annual 2.8 per cent in August), a healthy balance of payments surplus on the current account (around 7 per cent of GNP), public spending under control, and rising manufacturing output and exports precluded the need for a devaluation.

Business and opposition political leaders were quick to throw their support behind Mr Ahern's defence of the punt yesterday. Mr Ruari Quinn, the economy spokesman for the opposition Labour party said: "We are between a rock and hard place. We have a large residual dependency on the UK economy, but if we follow sterling down it would be like swimming towards the Titanic."

About 31 per cent of Ireland's exports are destined for the UK, and some 40 per cent of its imports come from Britain. Exporters, especially those working on tight margins in the food industry, are therefore being squeezed, while their own domestic market faces stiffer competition from UK imports. Yesterday's interest rate rise, now signifies a real interest rate of almost 11 per cent, allowing for a 2.8 per cent inflation rate, adding further pressure on profits.



Business leaders were already warning last week that promised pay awards over the next two years under the tripartite programme for social and economic progress, would now have to be renegotiated, a proposal immediately ruled out by Mr Peter Cassells, head of the Irish Congress of Trade Unions (ICTU).

Retail banks and building societies are expected to pass on the interest rate increase in the coming days, which will have a big impact on personal disposable incomes. Eight out of ten householders in Ireland own their own homes.

Mr Michael Green, head of the Construction Industry Federation, warned yesterday that the housing market and construction industry could face major cuts if interest rates could not be reduced again soon.

Mr Ahern said he was "confident that these increases will be for a short period only and that a return to lower interest rates will be possible when the markets settle down again".

A key weapon in the government's defence of the punt in the past fortnight has been its remaining exchange controls, which limited the availability of funds to speculators in offshore markets. These controls are due to be dismantled, however, by the end of the year, leaving the punt as exposed as the other currencies have been hitherto in the ERM. Even with the controls in place, it is estimated that central bank reserves, which stood at I£3.03bn at the end of July, have shrunk by more than 50 per cent.

The government will also face increased exchequer borrowing costs, as its floating rate notes and gilt issues mature. It is estimated that of the I£4bn in Irish gilts held by non-residents, some I£500m have been sold since the ERM crisis began. The government will be under pressure to keep interest rates high, to underpin its securities and to roll over maturing gilts.

The credibility of the government's economic policy is thus facing its severest test since the punt joined the ERM in 1979. There will be no relegation for Ireland to a "second division" EC according to Irish ministers. The question is whether the markets believe that is now feasible.

Belgians lose faith in their coalition

ONLY 19 per cent of Belgians have confidence in the government, compared with 35 per cent in June, according to an opinion poll published yesterday, Reuters reports from Brussels.

Publication of the poll coincided with last-ditch talks yesterday by Belgium's shaky centre-left coalition government to avert a crisis over the 1993 budget and national reforms which could force new elections.

After a weekend of talks failed to produce an agreement, Mr Jean-Luc Dehaene, prime minister, is staking the government's survival on getting a deal this week to rein in heavy public spending and on reforms giving more autonomy to French-speaking Wallonia and Dutch-speaking Flanders.

The main party in the coalition, Mr Dehaene's Flemish Christian Democrats (CVP), says the budget and state reforms have to be sorted out before its annual congress next weekend. If there is no deal by then, political analysts say the CVP's position in the coalition would be threatened.

Delors argues for bigger budget

By Andrew Hill in Brussels

THE competitiveness of EC industry could be damaged if member states' budget contributions are frozen, Mr Jacques Delors, European Commission president, warned yesterday.

EC officials claimed that the crisis in other areas of Community policy had not affected discussions on the "Delors II" package, covering Community spending from 1993 to 1997. But the budget question at yesterday's meeting of EC finance ministers was greatly overshadowed by the anguished debate on the future of the European monetary system.

Mr Delors told the ministers that capping contributions at 1.2 per cent of GNP was bound to hit spending on training, research and development, and EC-wide telecoms, road and rail networks. The Commission wants to raise contributions to the 1993-97 budget to 1.37 per cent of GNP.

Britain, which holds the EC presidency, claimed in a paper presented to ministers that if contributions were held at 1.2 per cent the EC's resources for 1997 would increase by Ecu15bn (£11.7bn) from Ecu66.6bn this year.

But the Commission argued that Britain had included in its *calculations agricultural surpluses* which could not be redistributed to other areas of EC policy. The calculation was also based on annualised growth projections of 2.5 per cent, which now look unrealistic.

According to Brussels, the increase would be Ecu11bn in 1997 – not enough to cover the Commission's plans for spending on so-called "internal policies".

Yesterday's meeting was the last chance for finance ministers to state their position on the proposed budget before serious negotiations begin. Since July, national officials *have been discussing an 85-point* British questionnaire on the budget plans. Foreign ministers will take up the debate at their meeting next Monday.

Several states, including Belgium, Germany and France, took the opportunity to argue for a new political discussion of the long-standing British budget rebate. "We have to ask ourselves whether the same conditions that led to unanimous agreement on the rebate [in 1984 and 1988] are still valid today," said one German official. Britain argues that the rebate, which has been worth £12.5bn since 1984,is non-negotiable.

Swedish interest rate comes down

By Robert Taylor in Stockholm

SWEDEN'S central bank cut its marginal overnight lending rate to commercial banks from 50 per cent to 40 per cent yesterday in a cautious adjustment towards a "more normal interest rate level".

It said the reduction had been made possible by declining turbulence on the international foreign exchange markets and a drop in Sweden's money market interest rates.

But Svenska Handelsbanken, a leading commercial bank, warned yesterday in its latest economic forecast that for at least the next six months interest rates would remain above the levels existing before the financial crisis began.

However, it suggested a Swedish export recovery would strengthen overseas market confidence in the country's fixed exchange rate policy and that the interest rate differential rate between Sweden and Germany would narrow.

The centre-right coalition government cannot expect much of an economic revival before the next Swedish general election in September 1994, according to the report. It predicts a further drop of 0.4 per cent in Swedish gross national product next year after an estimated decline of 1.7 per cent this year. The forecast shows only a modest 1.5 per cent recovery in 1994.

It also predicts a sizeable decline in property investment of 46.5 per cent, but a strong recovery in the trade balance and the balance of payments.

Swedes, however, can expect a fall next year of 1.9 per cent in their real incomes, with only a 0.7 per cent improvement the following year. The report expects private consumption to decline by 2.2 per cent this year and by the same amount in 1993 with only a 0.4 per cent upturn in 1994.

EC central bank sought by Pöhl

By Andrew Fisher in Frankfurt

THE Maastricht treaty on European economic and monetary union should be dropped in favour of a more limited agreement on a new European central bank, according to the former president of the Bundesbank.

This would have two big advantages, Mr Karl Otto Pöhl, told Der Spiegel magazine. It would enable the Danes, mostly concerned about their social security system, to vote Yes. It would also mean Europe would not have to wait until 1997 or 1999 for a central bank and joint currency.

Pöhl: advantages

Mr Pöhl said European monetary union and a new central bank could be set up without political union, as long as the bank's main priority was price stability. Asked if Italy and the UK could be members, he said no country should be excluded but "very strict entry criteria" would have to be fulfilled.

"The French and Germans must now show joint leadership. Both could in a short time establish a central bank, which the Dutch, Belgians, Luxembourgeois and Danes could join. As soon as other EC countries are in a position to subject themselves to the discipline of such a system, they should also take part."

The latest currency upheavals could have been avoided if the exchange rates of the lira, sterling and the peseta had been changed earlier. "This would have given the Bundesbank the chance for larger cuts in interest rates." The European Monetary System should be held together, with the D-Mark playing the dominant role, he said.

Danes may vote Yes next year, poll shows

By Hilary Barnes in Copenhagen

A MAJORITY of Danish voters would consider voting Yes in a second referendum on the Maastricht treaty next year if special arrangements are made to exempt Denmark from some treaty obligations.

A Gallup poll published yesterday said 64 per cent of those questioned would consider voting Yes under these circumstances and only 16 per cent would vote No.

In a referendum in June 50.7 per cent of voters rejected ratification of the treaty, while 49.3 per cent voted in favour.

An agreement giving special exemptions to Denmark from participating in a common European defence policy, or introducing a common currency and European citizenship is under discussion between the minority government and other parties in the Folketing.

An official Danish proposal to the other 11 members of the EC is expected in late November in time for the Danish issue to be discussed at the European Community heads of government meeting in Edinburgh in December.

The Gallup poll results indicate that voters have not regretted the outcome of the referendum in June. If there are no concessions some 90 per cent of those who voted No would do so again, while only 83 per cent of those who voted Yes would do so.

French franc pays price for partnership with D-Mark

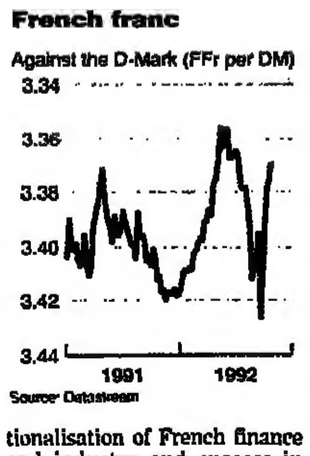
William Dawkins considers the reasons why the currency has come under such pressure

THE FRANC'S *elevation* in recent years to the position of junior partner to the D-Mark is ironically one reason why the French currency has come under such pressure in recent weeks.

The structure of the market in francs and franc-denominated bonds, notes and equities shows why it has suffered more from fears about the stability of the European monetary system than from doubts about the health of the French economy.

Foreign investors have come to use the franc in recent years as "a proxy for the D-Mark", in the words of one US banker. So, selling francs is clearly a rational step for investors worried that the franc/D-Mark parity might break in a general collapse of the EMS. Market estimates have it that between FFr50bn (£5.7bn) and FFr100bn (£11.4bn) has been dumped in the past fortnight on the Bank of France, which may have used up all the FFr97bn of currency reserves it held at the end of August.

Investment demand for francs and French capital instruments has expanded sharply in the past five years or so, thanks to the internationalisation of French finance and industry and success in curbing inflation and the budget deficit.



Broadly, the main franc investors fall into three categories, explains Mr Christopher Potts, senior economist at Banque Indosuez. First, there are other central banks, commercial banks and intermediaries; then corporate investors which buy and sell francs to cover business in the French currency; and finally international funds, which hold equities and bonds in francs.

"All of them have made substantial profits in recent years on the rise of the franc and other European currencies. Now they feel the tide has turned," he says.

The signs are that all three kinds of investor have been heavy sellers of francs. A leading US commercial bank reports selling from Scandinavian central banks, which held francs in their reserves and needed to liquidate some of their portfolios to buy their own currencies. Understandably, they sold their riskiest holdings first, says the US banker.

But the biggest pressure on the franc has probably come from the international funds, especially Japanese ones, Mr Potts believes. They have held on to their underlying franc-denominated investments through the crisis. But they have hedged on the French currency – buying and selling the franc in forward markets – to make enough dealing profits to cover the loss in value of their underlying investments.

Typically, Japanese and some other foreign funds used to hedge 40-50 per cent of their franc-denominated investments and accept the exchange rate risk on the rest, estimates Mr Potts. In recent weeks, he estimates that they increased that proportion to 70 per cent. "If your hedging ratio goes up like that over one month, that means huge flows out of the franc," says Mr Potts.

THE NUMBER of unemployed in France fell by 1 per cent to 2.88m between July and August, the biggest monthly drop for four years, the Labour Ministry reported yesterday, writes William Dawkins in Paris.

This reduces the jobless rate by 0.1 of a percentage point to 10.2 per cent at the end of last month. It is also a morsel of good news for public spending, just before the government publishes its 1993 budget, due tommorrow, in which it will unveil a small cut in income tax. Mr Pierre Bérégovoy, the prime minister, told French radio that he planned a FFr3bn (£340m) cut in income tax next year. In a full year, the state collects FFr320bn from this source.

The market for francs used to be less liquid than for other currencies, but dealers in Paris reckon that over the past five to seven years it has become as easy to buy and sell francs as any leading currency in any time zone. The Bank of France has built up a sophisticated network of correspondent banks, which trade on its behalf, and includes other central banks, highly rated US and European commercial banks and leading French banks, both state-owned and in the private sector.

The French central bank cannot, by contrast, lean on the powerful state-owned banks to help it support the franc. It does not have the legal means to do so, since France scrapped foreign exchange controls two years ago and French banks are only allowed to hold a limited proportion of their funds in a single currency.

However, French commercial banks are said to have an informal accord under which they quote unattractive prices on French bonds and currency to US banks.

Certainly the biggest French banks would not like to be caught speculating hard against the franc. This applies just as much to state-owned as to private-sector banks, since both are largely run by former Treasury officials and maintain close communications with the Treasury and the central bank.

Mr Dominique Hoenn, head of market operations at private sector Paribas, says: "There is no difference between the nationalised banks and us. Probably they have not speculated much against the franc and certainly neither have we because we believe in its value."

The same applies to commercial interest rates. French base rates reflect market conditions just as much as in any leading economy, but the timing of any rate change is the result of close concertation between the banking system and the government.

Says Mr Potts: "There is very close co-operation on the timing of rate changes. Unless they all agree on a move, it won't happen."

An example is the fact that base rates have stayed unchanged since last week's increase in the Bank of France's 5-10 day repurchase rate, the interest rate for borrowers of last resort. So the clear understanding between the state and the banks has helped the authorities, in defending the currency, to hold off any damage to the domestic economy.

But for how long? Overnight money market rates – set by the market alone – shot up during the past week to between 21 and 26 per cent, more than twice their normal levels, in response to rise in the central bank's repurchase rate. Unless the cost of overnight borrowing drifts back again towards normal soon, French banks will require a base rate rise to stem their losses.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Study points to high cost of new cars in EC

By Kevin Done, Motor Industry Correspondent

EUROPEAN car buyers are paying as much as 30 per cent more for new cars than consumers in the US and in Japan, according to a study by Ludvigsen Associates, the UK-based automotive analysts.

Ludvigsen Associates, which carried out the controversial basic research for the UK Monopolies and Mergers Commission inquiry into pan-European car pricing, claims that "the European car buyer is spending more than he should for personal transportation", both in absolute terms and in relation to household income.

The report is the first co-ordinated attempt to compare car prices between Europe and the other main world markets, the US and Japan.

According to the study, the largest differences are with car prices in Japan. It claims that European car prices (net of tax) are 33- to 43 per cent higher than equivalent prices in Japan, while European prices are 15 to 45 per cent higher than in the US.

On average it takes 27 weeks of gross family income for a European to buy a car compared with 21 weeks in America and 15 weeks in Japan. The UK is at the European average, while the Germans, French and Belgians need four weeks less.

The Ludvigsen report is likely to re-ignite the vexed debate over car makers' pan-European pricing policies and the wide disparities between car prices across the European Community, following earlier studies this year published by both the MMC and the European Commission's competition directorate.

The Ludvigsen report claims that inefficiencies in the European motor industry are one of the factors behind much higher prices in Europe than Japan or the US.

"Judged by hours required to assemble a car, the Europeans attain less than half the productivity of the Japanese and little more than two-thirds that of the American domestic producers." According to an analysis of both efficiency and labour rates, America's per-car production costs are Ecu135 (£105) higher than Japan's while Europe's are Ecu220 higher.

The Ludvigsen report, which is likely to be fiercely contested by car makers in Europe, concludes that European car plants employ close to 150,000 more assembly workers than they would if average Japanese standards were maintained. It claims that this is equivalent to a surplus staffing level in Europe of at least 17 per cent.

While European consumers pay over the odds for new cars compared with Japanese and American car buyers, Ludvigsen claims that new research confirms that large price differences remain within Europe.

In Denmark, transaction prices, excluding taxes but taking into account typical dealer discounts, are 65 per cent of those in the UK. In Belgium they are 80 per cent of the British level, in Germany 89 per cent, in France 93 per cent and in Spain 94 per cent.

The report claims to have unearthed "startling" findings about disparities in wholesale car prices, the prices at which cars are sold by the car makers to their dealers.

It urges Europe's car price watchdogs to investigate wholesale car prices as well as retail prices and claims that "private buyers in continental markets, paying list prices, pay less for their cars than do British dealers buying their cars from the factory."

Romania's opposition presidential candidate issues warning

Iliescu's rival seeks poll revenge

By Virginia Marsh and Anthony Robinson in Bucharest

Surprise showing: President Iliescu goes into the run-off after winning the first round

ROMANIA'S democratic opposition parties, shocked by the strong showing of former communists and hardline nationalists at the weekend elections, yesterday pledged to intensify the political struggle before presidential run-off elections on October 11.

Mr Emil Constantinescu, presidential candidate for the 18-party Democratic Convention (DC), who will oppose President Ion Iliescu in the run-off, said that Romania now more than ever needed a strong president who would respect the law, unite the country and restore Romania's tarnished image abroad.

He warned that exit polls indicated that extremist parties, such as the Socialist Labour party and Romania Mare, the Greater Romania party, an openly anti-Semitic and xenophobic organisation, could find a place in a governing coalition alongside the Democratic National Salvation Front (DNSS), which supports Mr Iliescu.

The DNSS, staffed largely by former communists and ex-secret policemen, retains widespread support in working class and rural areas and looks set to emerge as the largest single party in the new parliament.

Official results in the parliamentary elections and the first round of presidential voting are not expected until later this week. However, an updated exit poll yesterday suggested that Mr Iliescu was holding a 15-point lead over Mr Constantinescu, which will be hard for the fractious DC alliance to overcome.

"It is sad that the most powerful party in Romania today is still a Communist one," Mr Petre Roman, the former prime minister said. Mr Ion Raciu, vice-president of the National Peasants party, the dominant force behind the DC, said that Mr Constantinescu, a hitherto little-known academic and ex-communist party member, had faced "an impossible task".

French Socialists gain seats

By David Buchan in Paris

FRANCE'S ruling Socialist party has scored a double-edged political gain in Sunday's senate election, by winning five more seats in the upper house at the cost of seeing its majority in the National Assembly shrink further.

Four of the new Socialist senators, including Mr Pierre Mauroy, the former prime minister, were deputies in the national assembly. Their seats will remain vacant, because French electoral law prevents by-elections within a year of legislative elections, due next March.

This quirky result comes just as the government faces the possibility of an opposition motion of censure, possibly on the 1993 budget, when the two houses of parliament reconvene on Friday.

In June the government fought off a censure motion on EC agricultural reform by only three votes.

The Socialists' gains in the senate, which is indirectly elected, partly by regional councillors, do not indicate any upturn in their current political ill-fortune, but just a reflection of local election gains three years ago.

Belgrade and Croatia to hold top-level talks

By Laura Silber in Belgrade

YUGOSLAVIA and Croatia agreed yesterday to hold top-level peace talks in Geneva, but the war in Bosnia raged on, dramatised by a bomb attack on a funeral in Sarajevo.

The international mediators, Mr Cyrus Vance and Lord Owen, visiting Belgrade for talks with Yugoslav and Serbian leaders, announced that the presidents of Yugoslavia and Croatia had accepted an invitation to open peace talks in the Swiss city tomorrow.

President Dobrica Cosic of Yugoslavia and the Croatian president, Mr Franjo Tudjman, are to try and reach agreement on the demilitarisation of Prevlaka, a key peninsula on Croatia's southern Adriatic coastline.

Mr Vance and Lord Owen, the co-chairmen of the peace process were on their first visit to Belgrade since Yugoslavia's virtual exclusion from the United Nations last week.

Lord Owen, the European Community envoy, said that "significant progress" had been made on various issues including the opening of Prevlaka and key roads in Croatia.

An accord on Prevlaka, currently under the control of the Yugoslav army, would unblock access to Dubrovnik, the Croatian port.

He said Yugoslav officials had agreed on the "desirability of soon opening" the Belgrade-Zagreb motorway, closed since last August.

Meanwhile, three people were killed and more than 20 injured when a shell hit a cemetery during a funeral in Sarajevo, Bosnian radio said.

The radio blamed Serb irregulars for firing the shell but there was no proof of who was responsible. Doctors at the city's French hospital confirmed casualty figures and said many of those wounded were in a serious condition.

In another development, the Serbian president, Mr Slobodan Milosevic, warned that the success of the international peace conference could be endangered unless trade sanctions against Belgrade were ended. "We expect them to be lifted soon," Mr Milosevic said on television and his office issued a statement saying there had been no justification for imposing the sanctions.

The mediators did not comment on whether they had confronted Serbian officials with fresh allegations of "ethnic cleansing" in Bosnia. They had been expected to discuss reports of the forced removal of Croats and Moslems by Serb forces, as well as stepped-up air attacks.

UN peacekeepers put intense pressure on the Croatian government yesterday to prevent thousands of refugees from going ahead with a "march to their deaths" into Serb-held territory, Reuter reports from Zagreb.

One UN official said that the threatened march into the Baranja region of eastern Slavonia by up to 10,000 unarmed refugees impatient to reclaim homes before the start of winter would be a "Balkan Sharpeville", a reference to the massacre of 69 people in March 1960 by South African police. "The local (Serb) authorities are not willing to have people coming in and they're prepared to resist it by fire. The Croatian authorities have a responsibility not to let people march to their deaths," the official said.

Turkey criticises allies on Bosnia

By Robert Mauthner in New York

TURKEY yesterday attacked the major powers and the international community as a whole for their failure to use military force to counter "the Serbian aggression" in Bosnia.

Mr Hikmet Cetin, the Turkish foreign minister, told a news conference during a meeting of the UN General Assembly that his government was becoming "increasingly discouraged" by the ineffectiveness of UN and EC efforts to stop the slaughter and persecution of Bosnian Moslems.

In a clear reference to the extreme reluctance of the US and other members of the Security Council to contemplate the use of military force in Bosnia, Mr Cetin said this was a serious mistake which merely served to encourage the aggressors.

Turkey advocated "limited military intervention" under UN control, essentially involving limited air strikes against the Serb militias, which were refusing to implement the agreements reached at the recent London conference on Yugoslavia. It was also in favour of the imposition of an air-exclusion zone over Bosnia.

Turkey was prepared to contribute to international action in the Bosnian conflict in any way considered appropriate by the Security Council, Mr Cetin said.

But he reiterated his government's position that, though hundreds of thousands of Bosnian Moslems had taken refuge in his country, Turkey would not act alone.

In the meantime, Turkey would continue to urge the international community to stop the bloodshed in Bosnia "by whatever means it takes".

Mr Cetin's outburst coincided with an interview with General Colin Powell, published in the New York Times, in which the chairman of the US joint chiefs of staff strongly opposed even the most limited form of military intervention in Bosnia.

Military force should be used only if there was a clear understanding of the political objective it was intended to achieve and if a decisive victory by force of arms could be attained, General Powell said.

Tokyo banks near deal on property debts

By Charles Leadbeater

LEADING Japanese banks are close to agreeing their first concerted action to deal with their huge property-related bad debts.

These debts, caused by the steep fall in property prices over the past two years, could handicap the banking industry for several years.

The banks plan to set up a joint body which would purchase from them property used as collateral for non-performing loans.

It is understood the banks reached an outline agreement yesterday on the structure of a joint company. Mitsubishi Bank is believed to have played a leading role in the talks, and the Bank of Japan has been kept fully abreast.

Official estimates have put bad debts at about Y7,000bn ($58bn) to Y8,000bn ($66bn). However, revised figures, due for release by mid-October, are likely to show a sharp rise, and banking industry executives admit privately that bad debts may amount to between Y30,000bn and Y60,000bn.

The possibility of the banks receiving government help has met with heavy criticism in the popular press. A joint organisation in which the banks are seen to be taking the lead in sorting out their problems is widely seen as a pre-condition for any tax concessions to ease the bad debt burden.

The proposed joint body would play a vital role in establishing the extent of bad debts and thus helping the banks to cleanse their balance sheets. As the property market is so sluggish, many banks have been unable to sell their holdings and establish the scale of their losses.

Banks would jointly finance the company, which they would own in proportion to the extent of their bad debts. It would initially purchase relatively marketable property used as collateral on non-performing loans at a price set by independent assessors. The joint company would then be responsible for eventually selling the land in the open market.

In addition the company would be allowed to buy and sell claims on loans which have real estate as collateral.

Meanwhile, the government yesterday began transferring public funds into bodies which will invest in the stock market through trust banks to help underpin share prices.

The Ministry of Posts and Telecommunications transferred Y1,000bn into the Postal Life Insurance Welfare Corporation. Disappointment that more public money has not yet flowed into the stock market helped to push the Nikkei average below 18,000 yesterday. The stock market has rallied strongly since the government announced an emergency economic package in late August.

The package, which is due to be approved by the Diet later in the autumn, increases the ceiling on public investment via trust banks from Y1,700bn to nearly Y2,800bn.

Donations trial ruled out for Kanemaru

By Robert Thomson in Tokyo

JAPANESE prosecutors yesterday formally indicted Mr Shin Kanemaru, the power broker of the ruling Liberal Democratic party, for violating a law on political donations, but said he would be summarily fined and not face trial.

The prosecutors' decision and their stated intention to halt investigations into other politicians for similar violations have provoked widespread disgust, prompting LDP officials to suggest that a parliamentary committee may be set up to study the scandal.

Mr Gaishi Hiraiwa, head of the Keidanren, the country's main business federation, said an "extremely large gap" existed between the ethics of politicians and ordinary people. He added: "We've reached the stage when an immediate overhaul of the political system is essential."

Mr Kanemaru, 78, has admitted receiving Y500m (£2.4m) from a parcel delivery company, Tokyo Sagawa Kyubin, far exceeding the Y1.5m limit set by the Political Funds Control Law. Under that law, he is subject to a maximum fine of Y200,000, and prosecutors said the fine would be imposed without requiring him to face the embarrassment of a trial.

Meanwhile Mr Kiyoshi Kaneko, 60, a former provincial governor, will face a trial after being indicted yesterday for having received Y100m from Tokyo Sagawa. He was charged with falsely reporting a donation, a charge carrying a maximum penalty of five years' imprisonment or a Y300,000 fine.

The contrasting treatment of the two politicians has rekindled public debate over the need for political reform, as has the suggestion that the investigation is over, even though a dozen senior LDP officials are reported to have received Sagawa money.

It is generally perceived that Mr Kanemaru received more lenient treatment after negotiations between senior members of his faction and the prosecutors. However, Mr Kiichi Miyazawa, the prime minister, yesterday insisted that the prosecutors had been "impartial".

Doubts over Mr Kanemaru's political future have prompted a power struggle within his faction, the LDP's largest. It appears most faction members want the "godfather", as he is known, to remain in control, but continued public outcry would diminish his standing and may prompt him to resign before the next election.

One sign of the tension within the faction was an offer by Mr Ichiro Ozawa, the acting head, to resign for having failed to protect Mr Kanemaru.

Bombay scandal 'cost Rs5bn'

THE net loss to the Indian banking system from the Bombay securities scandal is expected to be about Rs5bn ($177m), according to Mr S. Venkitaramanan, governor of Reserve Bank of India, the central bank, R C Murthy reports. He was speaking in New York after attending the International Monetary Fund annual meeting.

The scandal involved some Rs35bn of fraudulent dealings but Mr Venkitaramanan's new estimate is for money which, after investigations and legal proceedings, will prove irrecoverable.

Standard Chartered of the UK, the worst-hit foreign bank, has provided £100m ($171m) against potential losses from the scandal.

The Indian authorities have announced a decision in principle to allow the Indian private sector to enter commercial banking, the central bank governor said. Mr Manmohan Singh, the finance minister, has asked for a $500m loan from the World Bank to back financial sector reforms this year, to be used partly to help set up an asset reconstruction fund for banks saddled with bad debts.

The Asian Development Bank plans a $400m loan to help meet an 8 per cent capital adequacy requirement imposed on banks by the Reserve Bank.

It also emerged in Washington that the government has asked the IMF for a $5bn extended fund facility to replace the present standby arrangement, which runs out in April. The new three-year facility would include the $1.2bn unused portion of the existing $2.2bn standby, and an enhanced structural adjustment facility bearing lower interest rates.

Rao seeks better links with France

India's Prime Minister Narasimha Rao yesterday started a three-day official visit to Paris focusing on ways of boosting economic exchanges, Reuter reports from Paris.

French diplomats said India's moves towards a market economy since Mr Rao came to power 16 months ago opened the way to improved co-operation.

The Indian premier is to meet President François Mitterrand, Prime Minister Pierre Bérégovoy and several ministers, including those of defence, space, industry and transport.

Talks with Foreign Minister Roland Dumas will cover nuclear non-proliferation, disarmament, India's tense relationship with Pakistan and its relations with the European Community.

A French embassy spokesman in New Delhi said the thorny issue of space and defence co-operation would probably figure in the talks. The US has banned exports of high-technology satellite components to India, which ignored US objections to its purchase of Russian rocket engines.

Nepal Airbus crash kills 167

By Daniel Green in London and Farhan Bokhari in Islamabad

A PAKISTANI Airbus A300 crashed yesterday while trying to land at Kathmandu, Nepal, killing all 155 passengers and 12 crew.

The Pakistan International Airlines (PIA) aircraft was on a flight from Karachi to Kathmandu. It lost contact 10 minutes before it was due to land and crashed 22 kilometres from the airport, Pakistani officials said.

The passenger list included at least 35 Britons, 29 Spaniards, 12 Dutch, 10 Italians, two Swiss, one Japanese, one German and one American. The aircraft also carried 10 Nepalese, two Bangladeshis, and 12 Pakistanis.

Pakistani civil aviation staff are due to arrive in Kathmandu today to investigate.

It was the second Airbus crash near Kathmandu within two months. On July 31, a Thai Airways A310-300 hit a Himalayan ridge after trying to land at the airport, killing all 113 people on board.

Kathmandu airport is one of the world's more difficult airports for pilots. They have to descend steeply to the runway to avoid the surrounding mountains. The airport has no radar and aircraft are guided in by radio beacon.

However, Mr Nagendra Prasad Ghimire, deputy chief at the airport, was quoted as saying that the crash occurred in scattered clouds and moderate winds. The pilot had given no indication of any problem.

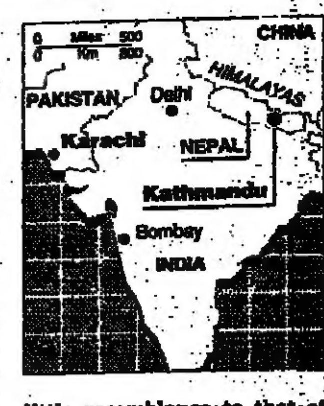
Yesterday's was the A300 model's first fatal accident, although there have been four previous crashes including a training accident in Egypt and a runway overshoot in India.

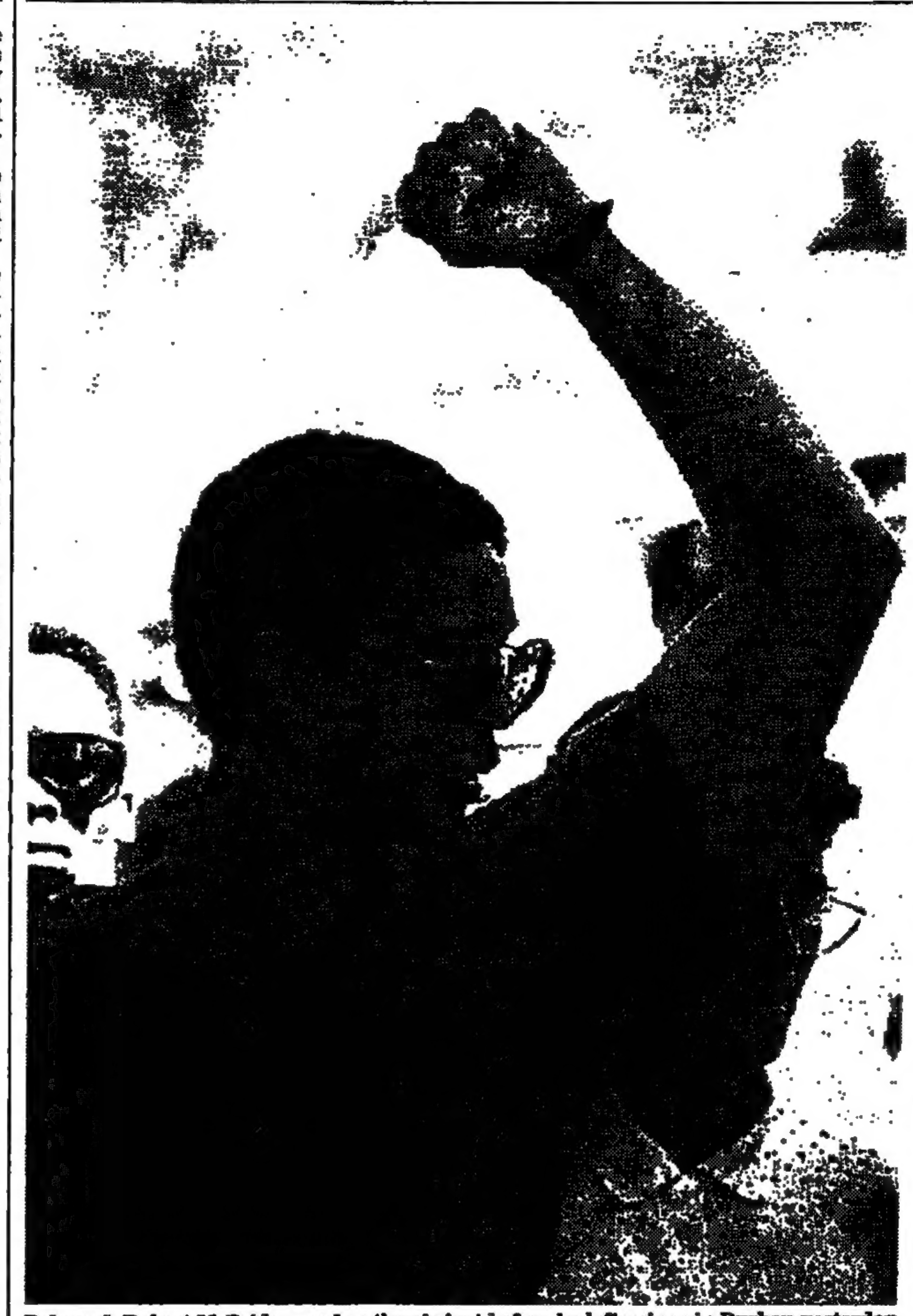
A fifth A300, owned by Iran, was shot down by the USS Vincennes over the Gulf in 1988, killing 290 people.

The A300, introduced in 1974, was the first aircraft type built by Airbus. It is a wide-bodied twin engined aircraft capable of flying up to about 8,000 kilometres, the distance from New York to Istanbul.

The crashed PIA model was one of the first built, taking to the air for the first time in 1976. PIA bought it in 1986.

The design of the A300 bears little resemblance to that of the A320 model which has crashed three times including in France last year and whose computerised controls have attracted criticism from some pilots.





Released: Robert McBride punches the air just before he left prison in Durban yesterday

Prisoner release touches sensitive nerve in S Africa

By Patti Waldmeir in Johannesburg

"I FELT happy watching him burn," Mr George Skosana said on his release from prison, one of 154 South African political prisoners freed over the past four days in what the government says is an attempt to foster reconciliation.

Mr Skosana was recounting the crime for which he was sentenced to death in 1987: the burning alive of a police informer in Pretoria in 1986. He says he would do it all again, as part of the struggle for political freedom in South Africa.

Chilling comments such as these from 29-year-old Mr Skosana highlight the political sensitivity of the prisoner release programme, agreed at the weekend between President F W de Klerk and Mr Nelson Mandela, president of the African National Congress (ANC). Under the agreement, 150 ANC political prisoners have already been freed, with a further three – the most celebrated among them – released on parole yesterday.

Among them, they have committed some of the most frightening political crimes in South African history, including the car bombing of a Durban beach-front bar in which three white women died. The bomber, Mr Robert McBride, left prison yesterday pledging to work for reconciliation – but noting that he would take up arms again "if the situation becomes the same as in 1985", when the ANC was banned and its activists ruthlessly hunted down by police.

Mr McBride often made clear before his release that he regretted the deaths caused by his action. In a memo written in prison, he talks of his remorse: "I personally will live for the rest of my life with the memories of those who died... I can never expect the families of those who died to forget, nor can I expect them to welcome my release. But reconciliation is not about forgetting our pain, it is about forgiving."

His release has provoked numerous phone complaints to the Department of Correctional Services, and radio talk shows carried calls from many whites angry at his release.

But far more furore appears to have been generated by the release yesterday of Mr Barend Strydom, nicknamed "white wolf", the only right-wing prisoner to have been freed so far. He is a self-confessed racist who killed seven blacks in a shooting spree on Pretoria in 1988, as part of the right wing's "third freedom struggle".

Mr Strydom's crime gained notoriety, quite apart from its brutality, because he smiled while carrying it out. He told the court during his trial: "During the shooting, the wounded did not appear to realise the gravity of the situation. I smiled. I see myself as a friendly person. It was difficult to suppress my laughter. I smiled and carried on."

Even more controversial will be government plans to grant amnesty to serving security force officers who have never been charged but who are believed to have committed politically motivated crimes. The ANC argues that this must be done by a multi-party interim government.

Observer, Page 21

Malaysia detains tanker

By Kieran Cooke in Kuala Lumpur

MALAYSIA has detained a 96,000-tonne crude oil tanker which was involved in a collision in the Strait of Malacca and has now drifted into Malaysian waters.

The Nagasaki Spirit, Liberian-registered and reported to be owned by a Vancouver-based shipping company, was carrying 57,000 tonnes of crude oil from Saudi Arabia to Brunei when it collided with the Ocean Blessing, a Panama-registered container vessel, nine days ago. Salvage experts say the Ocean Blessing, which has now be towed to Sumatra, is a write-off.

Over the weekend the badly charred bodies of 12 sailors were found aboard the Panamanian vessel. A total of 29 crew from both ships are still unaccounted for.

The Malaysian authorities say they will inspect the Nagasaki Spirit before unloading oil still on the vessel. The oil will be kept until the liability and costs for oil spillage in Malaysian waters is agreed by those involved.

The Malaysian move comes after several recent collisions in the Malacca Strait.

Angola's time has come to vote for lasting peace

Today's elections can only be a success if the loser accepts defeat gracefully, writes **Julian Ozanne**

ANGOLANS go to the polls today to elect the first democratic government in the country's blighted history.

The elections offer Angola's 10.5m people their first opportunity for lasting peace and democracy in 500 years scarred by the slave trade, Portuguese colonialism and three decades of civil war. The war, fuelled by the US, Soviet Union, South Africa and Cuba, cost Angola an estimated $30bn in lost economic output and left an impoverished country with 500,000 people dead, 60,000 amputees mutilated by land mine explosions, and the roads, railways and communications in tatters.

If the polls go smoothly Angola will also be able to start seriously on economic reform which could tap the country's mineral and agricultural resources and turn it into an economic powerhouse of southern Africa.

Success will depend particularly on whether the loser will accept defeat gracefully or re-ignite the violent tensions between the ruling, former Marxist, MPLA government and the US- and South African-backed right-wing Unita.

Already western diplomats in Luanda are talking about the "Ghost of 1975" – the year when violent conflict erupted on the once graceful streets of Luanda before independence from Portugal, and the 350,000 mostly Portuguese white community evacuated the city and left the country bereft of skilled personnel.

Elections for the presidency and the 223-member national assembly have come down to a two-horse race between President Eduardo Dos Santos' MPLA and Unita, lead by Mr Jonas Savimbi.

Political observers in Luanda say the critical factor to Angola's future is "The Savimbi question". If Mr Savimbi, who has spent nearly three decades fighting a guerrilla offensive in the bush, wins the presidency, will he be able to change his political personality and rise to the challenge of national reconciliation? If he is defeated, a scenario he seems unwilling to countenance, will he claim the elections were rigged and plunge the country back into violence?

Savimbi's campaign rhetoric has raised fears about his post-electoral behaviour

Despite considerable efforts to demobilise the 200,000 soldiers before election day, both sides have kept back armed forces and secret arms caches as an insurance policy.

Mr Savimbi in his harsh campaign style has emerged as an aggressive authoritarian. Widespread human rights allegations made by top-ranking Unita defectors that Mr Savimbi personally oversaw burnings, killings and torture of internal dissidents are impossible to verify but have permanently tarnished his image.

Mr Savimbi's inflammatory campaign rhetoric, his claim that he can lose the elections only if they are rigged, and his veiled threats against "half-castes", whites and foreigners, have only served to increase fears about his post-electoral behaviour, particularly among Angolan intellectuals and the 40 per cent of the population living in the cities who were under MPLA control throughout the war.

In private, and among western diplomats, however, Mr Savimbi has shown a more conciliatory image, and has said he is prepared to accept defeat if the elections are free and fair and if most of the 4.86m registered voters are allowed to get to the polling stations.

Both sides are confident of victory, but there are a number of imponderables.

If the voting goes along tribal lines, as in many other African countries, Mr Savimbi is likely to win. He would draw support from his Ovimbundu tribe, which makes up 35 to 45 per cent of the country, and from other smaller tribes like the Cokwe and Ociwambo. The Mbundu tribe, which solidly supports the MPLA, makes up only a quarter of the population.

But this tribal cleavage could be complicated by the urban-rural divide, particularly in the heavily populated towns in the central region like Huambo, Benguela, Lobito and Cuito. If tribal loyalties are not as strong as expected, many urban people including the Ovimbundu, who have lived under the MPLA throughout the war, could vote for the MPLA despite its poor record.

The war fatigue of the population and the positive role in the transition of the United Nations and international donors have brought Angola through 16 difficult months to today's vote.

Western diplomats point out that if the elections are free and fair, a defeated party which is inclined not to accept the result should know that in the post-cold war era, the international community will no longer fund a civil war, and that without foreign donors rehabilitation of the economy will be impossible.

Japanese agree loan to Russia

JAPAN signed an agreement in Moscow yesterday for a $100m low-interest loan to Russia, the Ministry of Finance said, Reuter reports from Tokyo.

The loan from the Export-Import Bank, guaranteed by the Russian government, will go to Vneshekonombank, the former Soviet foreign trade bank. It will be used to finance imports of food and medical supplies, the ministry said.

The loan had been pledged in December 1990, as part of humanitarian aid, but disbursement was delayed because of Russia's failure to pay interest on debt owed to Japan. Japan has not made large-scale loans to Russia because of a dispute over four islands off northern Japan.

Kuwait market

Kuwait's stock exchange reopened yesterday more than two years after Iraq's invasion forced its closure, Reuter reports from Kuwait. It was not immediately clear if share prices were higher or lower than when Iraq invaded.

Iraqi opposition

Iraqi opposition groups ending a meeting in Kurd-controlled northern Iraq have agreed to unite to topple President Saddam Hussein, Iraqi dissident sources said yesterday, Reuter reports from Nicosia.

Shia and Sunni Moslems, Kurds, Turkomans and Assyrians as well as communists, socialists, rebel Baathists backed by Syria and Saudi Arabia, and former army generals, met for three days in the northern town of Salahuddin, out of reach of the Iraqi army.

Pakistani protest

Pakistani journalists yesterday boycotted the opening session of the lower house of parliament in protest against a government-backed case of sedition filed against two journalists, Farhan Bokhari writes from Islamabad.


Our
commitment.
Your
ter
ce.

ADVERTISEMENT

The new frontiers of communication

Ricoh has made a signal contribution to better understanding between nations through its sponsorship of great sporting events. Off the field, the quality of Ricoh faxes and copiers made the corporation a market leader in office automation

THE XXVth Olympic Games are over. Long live the Games. The Barcelona Games, generally acknowledged to be the most successful Olympics in recent times, was a great deal more than a pinnacle of sporting endeavour. It was also seen to be a summit in global communication as exemplified by the world's first Olympic Fax Network – created and maintained throughout the Games by the Ricoh company.

The OFN is the largest fax network ever assembled: 287 Ricoh fax machines were networked around the globe to enable the 183 member nations of the Olympic Family to communicate with the International Olympic Committee (IOC) headquarters in Lausanne, Switzerland. This incredible link-up also included all the National Olympic Committees, IOC members and a host of international sports federations. In addition, 1,500 facsimile machines were deployed in and around Barcelona, including the Press Centre at the Games. It all adds up to an organisational feat of the first magnitude.

The OFN is mostly made up of thermal faxes – the tough, utterly reliable workhorses of the Ricoh stable, backed up by the technically advanced Fax 3000L and Fax 7000L models. The latter two are first-class examples of why Ricoh is in the vanguard of facsimile development.

The 3000L is a new machine that uses plain paper, thereby dramatically reducing the cost per copy. It is also notable for special features such as Ricoh's Compact Seamless Engine incorporating the world's smallest

RICOH
Official Worldwide Olympic Sponsor

organic photoconductor. The primary advantage of the CSE is that it has been designed to significantly lower running costs by simplifying the replacement of supplies.

The Fax 7000L Digital G4 is the fastest fax in the world – taking a record 1.5 seconds to fax an A4 page. Its high speed gives it a key operational role in relation to the ISDN (Integrated Services Digital Network): tremendous savings can be achieved with the 7000 G4 because of its extraordinary speed.

After all, the normal transmission speed of the standard fax is around 10 seconds. And with a 400 x 400 d.p.i (dots per inch) resolution, the quality is high enough for a client to describe the end product as: "Good as a first class photo copy".

These developments from Ricoh mark the key advances in image processing technology in the course of a programme that started on the day in 1973 when Ricoh's RIFAX 600S transmitted the world's first facsimile message in less than one minute, via satellite between Tokyo and New York.

But how did the OFN perform at the Games, once the torch was lit? Jim Hadley, marketing manager of the USOC, has no doubt: "Ricoh played a significant role in the United States' Olympic Committee's success in Barcelona. Without our Ricoh fax machines, we would have been dead ducks in the water. Getting through to an open telephone line to leave a simple message for someone proved to be nearly impossible; it was quickly discovered that handwriting a note and sending it by fax was the only way. Thank goodness Ricoh was in our corner."

Getting it right and making sure that an operation on the scale of the OFN works efficiently, every day, can never be a matter of luck. Ricoh succeeded because it drew on its considerable experience and innovative skills as a pioneer in office automation. Ricoh's confidence was supported by the knowledge that the OFN had already been successful prior to and during the Winter Olympics.

Three weeks after the Barcelona Games, the network was back in action at the IXth Paralympics Games, which were also held at the Olympic Stadium in Barcelona. Ricoh is confident that the OFN will remain to play a key role in communications for the Winter Games in 1994 and the Summer Games in 1996.

The technically-advanced Ricoh Fax 3000L

Technology still leads the way

Ricoh's success and reputation is not confined to great sporting occasions. The company is also known for a stream of breakthroughs that have transformed business communications with machines like the Ricoh NC 8015, the fastest digital full-colour copier, or the Fax PF1, which can be used while on the move: the compact, notebook size, lightweight portable machine allows the user to receive and transmit messages "on the road".

However, although these innovations are undoubtedly spectacular, there is an equally successful side to the "bread and butter" products that are the bedrock of companies such as Ricoh which supply a wide variety of markets worldwide.

Take Ricoh's photocopiers: the FT8780 and the FT5733. Both won the coveted "Best Buy in 1992" Award, sponsored by the *What to buy for Business* magazine.

According to What to Buy for Business: "The FT8780 was rated: 'A Best Buy' for its large paper supply and good range of paper handling features."

The FT5733 won because it was: "A fast, mid-volume machine which sustained its speed in our productivity tests. It also had a good balance of features on offer and is rated a Best Buy for speed, paper supply and standard duplex plus presentational features."

But making products of the highest quality is no longer all that matters. Manufacturers must now take into account the impact that products have on the environment. Predictably, Ricoh, with its policy of "Environmental Harmony" is leading the way to a better office environment.

This year, four Ricoh copiers, including the FT6750 and the FT5570, received Germany's Blue Angel Mark, a label for products that help reduce environmental pollution through technological innovation. Earlier in 1992, these products were cited by the US Buyers Laboratory for all-round excellence. Ricoh is also the first company in Japan to announce its intention to eliminate 1,1,1,-trichloroethane and chlorofluorocarbon use in production by the end of 1993.

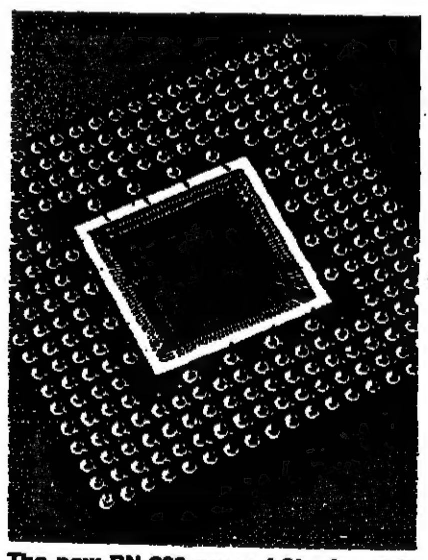
Above: the Tour de France has benefited from Ricoh's support. Below: the Fax 7000L Digital G4 is the fastest fax in the world

A dynamic vision of the future

Ricoh's future reflects tomorrow's world in the spheres of communications and office automation. Innovation is the lifeblood of successful products and, ultimately, corporate health. And to ensure corporate fitness and health, the Ricoh structure has been revised by placing the five development divisions under the management of the R & D Group. This move reinforces the company's principal aim of designing products that fulfill the needs of the market.

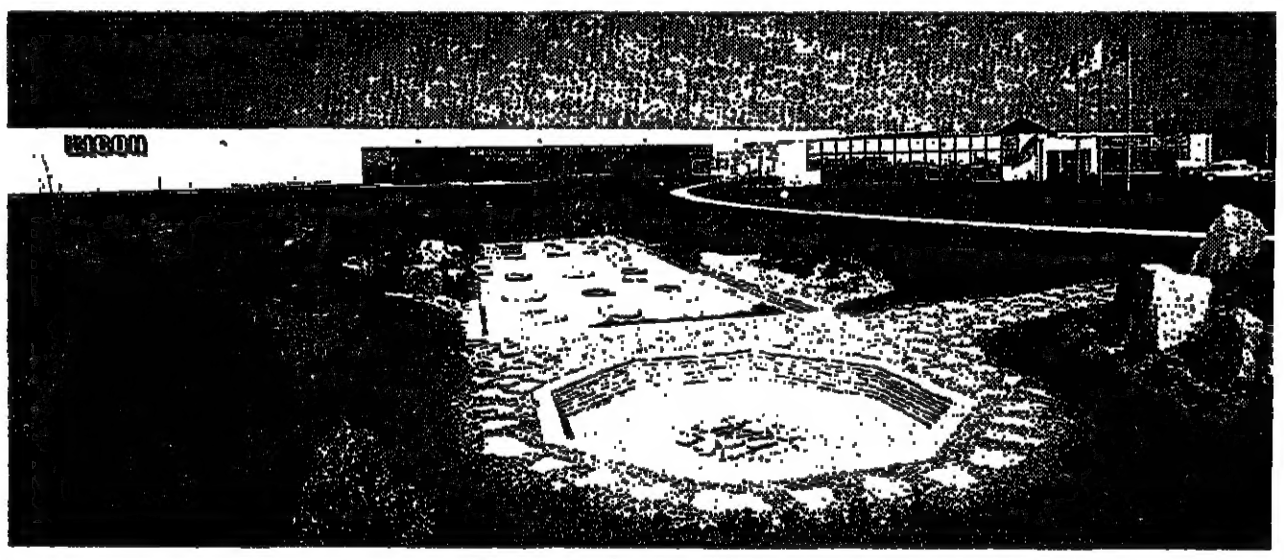
It goes without saying that Ricoh's vision of the future is dynamic and revolutionary. Consider the new Neurocomputer System to take just one signpost to future developments. Neurocomputers to date have combined computer and software to stimulate neuron functions.

Ricoh's new general-purpose neurocomputer system achieves the performance needed to control office equipment, robots, machine tools, etc. and to recognise images, voices and objects all through learning, without the need for a software programme. It is a step towards the development of a neurocomputer which operates somewhat like the human learning/decision making processes: truly, a next generation computer.



The new RN-200 neuro LSI microchip

A proud history of commitment to Europe



The 'memory garden' at the historic site of the Ricoh plant at Colmar, Alsace

Ricoh has grown and established deep roots in Europe. In the 30 years since the corporation first established itself on the Continent, the business has expanded to employ a total of 2,400 people in Europe and has sales of over $820m.

The European headquarters – Ricoh Europe B V at Amstelveen, Holland – directs seven sales and one financial subsidiary, the British manufacturing operation, which employs 700 people at Telford, West Midlands, as well as the manufacturing facility, Ricoh Industrie France S.A in Colmar, Alsace.

At Colmar, Ricoh has built Europe's most advanced thermal paper plant. The new plant allows Ricoh to market locally produced thermal paper rather than previously imported products, giving greater breadth to its policy of "localisation" and reinforcing its commitment to Europe.

A helping hand for sporting heroes

Paralímpics
Barcelona'92

For Ricoh, already involved with the Olympic Games, the opportunity to make a special contribution to a unique occasion for handicapped sportsmen and women from around the world makes the Paralympics one of the most rewarding of all the company's range of sponsorships.

At the Paralympics the unusual is the norm. For a start there are twice the number of events compared with the conventional Olympics, and of the 3,000 competitors, some 1,500 are confined to wheelchairs and 700 are blind. All of which calls for more than a specialist approach, to say the least.

The organisation must be imaginative and infinitely flexible. For example, one of the attendant problems facing the organisers is the contingency of having to reschedule events because some participants may change their medical classification. Not surprisingly, these extraordinary demands call for the very latest technological aids. But not only the organisers need the best of technology. The athletes too can benefit. In order to help the blind athletes the most advanced voice synthesisers have been built into computers as well as infra-red activated guidance systems which enables the athletes to break records and win "Olympic" medals.

For Ricoh, supporting world class sporting events such as the Paralympics, the Rugby World Cup and the Tour de France is a natural and very worthwhile extension of its global interests. International sport attempts to forge links between countries, providing a natural role for Ricoh products.

RICOH

Ricoh Europe B.V. Groenelaan 3, P.O.Box 114, 1180AC, Amstelveen, Holland (31) 20-5474111 **Ricoh Europe B.V. Belgium Branch** Welveldlaan 41, Gebouw A 1930 Zaventem, Belgium (32) 2-7209782 **Ricoh Europe B.V. Düsseldorf Branch** Hansa Allee 201, 4000 Düsseldorf 11, Germany (49) 211-52850 **Ricoh Europe B.V. East Europe Representative Office** Generali Centre House A, Mariahilfer Strasse 77-79, A-1060, Vienna, Austria (43)222-5862595 **Ricoh Deutschland GmbH** Mergenthaler Allee 38-40, 6236 Eschborn, Germany (49)6196-9060 **Ricoh España S.A.** Guitard 45, 08014 Barcelona, Spain (34)3-4900960 **Ricoh France S.A.** 192, Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, Paris, France (33)1-47454510 **Ricoh Industrie France S.A.** 144, Route de Rouffach, 68920 Wettolsheim, France (33)89-415757 **Ricoh Italia S.p.A.** Via Ponchielli, 3, Cernusco Sul Naviglio (MI), Italy (39)2-9230691 **Magne Ore A.S.** Fyrstikkalleen 1, Etterstad 0602, Oslo 6, Norway (47)2-685080 **Ricoh Office Systems Nederland B.V.** Heliumweg 16, Postbus 868, 3800AW Amersfoort, Holland (31)33-670811 **Ricoh UK Ltd.** Ricoh House, 1 Plane Tree Crescent, Feltham, Middlesex, TW13 7HG, UK (44)81-7516611 **Ricoh UK Products Ltd** Priorslee, Telford, Shropshire TF2 9NS, UK (44)952-290090

NEWS: WORLD TRADE

World trade deal hangs on oilseeds row

By David Gardner in Brussels

HOPES of an agreement on the Uruguay Round world trade talks depend on the outcome of today's council meeting of the General Agreement on Tariffs and Trade (Gatt) to try to resolve the EC-US dispute over oilseeds.

European Commission officials say that US interest in getting an overall Gatt settlement will be measured by its attitude to the bilateral row over the EC oilseeds regime, and whether or not Washington is prepared to open hostilities over it. If it does not, talks on the round are expected to resume at senior level.

The US is holding in abeyance punitive tariffs on \$1bn (£585m) worth of EC food exports, after both sides agreed at the beginning of this month to seek a resolution by today's meeting in Geneva. This truce coincided with a softening of both sides' positions on the extent to which farm subsidies should be cut, the issue which has held up conclusion of the round for 20 months.

Hopes were also raised in Brussels that President George Bush might be moving to bolster his fading chances of re-election through an October deal on Gatt.

Negotiations between top officials have proceeded intermittently all month, and were not blown off course even by the US announcement that its beefed-up export enhancement programme would raise subsidised wheat exports from 17m to 30m tonnes. Wheat and soya – the main commodity in the oilseeds row – are at the heart of the Uruguay Round impasse.

But recent indications that Washington is seeking a halving of EC production of oilseeds have tempered the optimism of those in Brussels who were relatively bullish about concluding the round.

The EC maintains that US soya producers have lost market share in the EC to lower-cost producers from Argentina and Brazil. It proposes to compensate US producers, nonetheless, under Article 28 of the Gatt code, and argues that as long as it is observing Gatt disputes procedures, the US can not retaliate unilaterally.

Most senior officials in Brussels have always believed the oilseeds dispute could only be settled within a deal on the Uruguay Round. Although the row has grown, one official said both sides were still preparing to meet to discuss a deal on the round.

Frances Williams adds from Geneva: In Geneva, both sides seem to want to play for time, in the process invoking arcane procedures that take Gatt into uncharted legal territory. The US will today ask for an arbitration panel to decide within 30 days on the amount of trade lost by oilseeds producers because of the EC's subsidy regime. In the meantime, it says it is ready to go on with the talks. Washington has put losses at \$2bn for all the countries affected. In negotiations the EC has offered compensation of no more than \$400m.

The EC, which opposes arbitration, will try to activate a rule allowing Gatt members as a whole to try to resolve the compensation dispute if the protagonists fail to agree.

The oilseeds dispute is just one of a number of rows that are directly related to the continued stalemate in the Uruguay round of global trade talks. Also on today's Gatt council agenda are the recent US decision to increase wheat export subsidies, which has angered other grain-exporting countries, and the EC's proposals to restrict banana imports from Latin America.

The Gatt council is today likely to approve establishment of working parties to draft membership terms for Ecuador and Taiwan. It is also expected to approve applications for observer status from Latvia, Lithuania and Kazakhstan.

See Editorial Comment; EC banana plan, Commodities Page

Storm clouds gather over Genoa harbour

Haig Simonian on how Italy's maritime trade is caught between an archaic monopoly and EC reforms

WHEN Mr Ezio Alcide Rosina, the chief executive of Italy's state-owned Finmare shipping group, docked his latest vessel, the Via Ligure, at Genoa's old harbour, he hardly imagined the struggles ahead.

Berthing the bright green ship, the first of five specially commissioned roll-on roll-off ferries, in the country's biggest and most unionised port was deliberately provocative. The previous day, Finmare had tried, and failed, to inaugurate a service to Sicily from Voltri, a vast new port to the west of Genoa's old docks.

"I wanted the people to see the ship and what we planned to do," said Mr Rosina. Finmare's reasoning was faultless. Rather than using Italy's overcrowded motorways, container lorries would drive onto the wide decks of the German-built vessel for the overnight journey to Sicily.

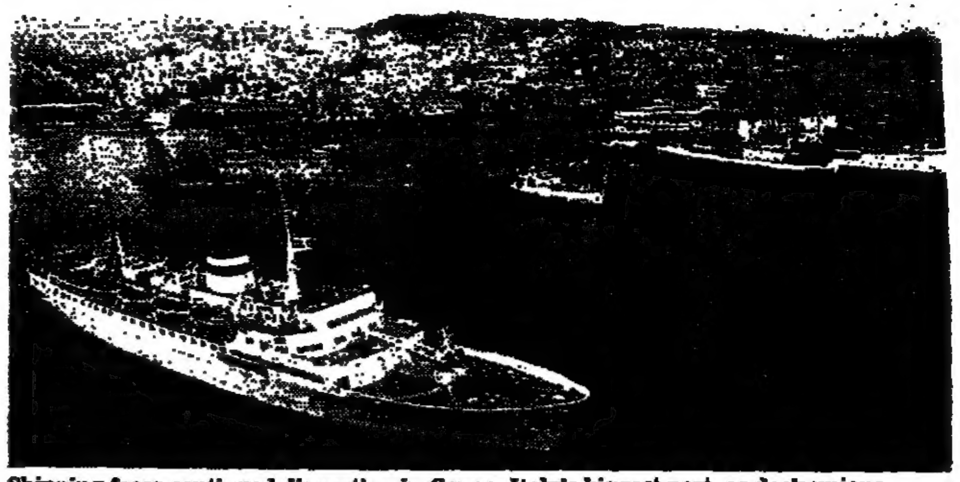
That was almost three months ago. Since then, the Via Ligure's log has summed up the troubled summer at Italy's biggest port. Caught between an archaic monopoly, guaranteeing dock unions' exclusive rights, and a European Community deadline to abolish restrictive practices, the Via Ligure and a handful of other vessels have turned into stalking horses for reform.

Last month, successive attempts to load cargo prompted strikes, barricades and legal action from unions and employers in a battle of wills decisive for the future of Italy's maritime trade. All that has been missing so far is the violence seen in the UK in the early 1980s, when Mrs (now Lady) Margaret Thatcher liberalised port employment in Britain. With legislation to remove union privileges, theoretically to be put forward this week, such conflict may be next on the list.

Mr Giancarlo Tesini, Italy's transport minister, explains why matters have become so confused. The government planned legislation following a European Court of Justice ruling that the dock-workers' monopoly contravened EC rules. However, Genoa's dockers persuaded a local court that the EC law was inapplicable, and the monopoly could continue.

Matters grew more complicated after Sir Leon Brittan's competition directorate issued a 60-day warning to the Italian government at the end of July to comply with Community rules or face a formal procedure. Meanwhile, Genoa port employers took legal action to break the monopoly.

Mr Tesini has responded with a draft law abrogating the dockers' monopoly and opening the way for greater private-sector involvement in Italy's state-run ports. The bill should be passed by the end of this month, although that deadline looks likely to slip. Should parliament delay, he says the government may transform it into a decree law, by-passing time-consuming debate. But with the EC deadline imminent, the conflict between employers and dock workers may hot up.



Shipping faces continued disruption in Genoa, Italy's biggest port, as dock unions defend their monopoly while the EC attempts to abolish restrictive practices.

Private shippers claim that Genoa's tradition of restrictive labour practices and mismanagement by compliant left-leaning port authorities account for its steady decline. Cargoes have slumped and the number of dockers has plunged over the past decade to about 1,000. Employers see abolition of the dockers' monopoly as Genoa's last chance to regain its position as one of the leading ports in the Mediterranean.

But it is the development of a huge new container facility at Voltri, the Via Ligure's base, which has fuelled the fires. Unlike Italy's other 144 ports, Voltri's management has been entrusted to a special company, Voltri Terminal Europa (VTE), in which the Fiat group has a 95 per cent stake, with the rest held by the Genoa port authority. In practice, VTE is not covered by the dockers' monopoly, enabling it to use non-union labour when it opens next year.

Having started service before Voltri's main facilities entered operation, Finmare's roll-on roll-off terminal became the flash point. While VTE's management defends the right to choose its own workers, the dockers' union has tried to extend its monopoly.

Tension eased earlier this month after Mr Tesini issued a special decree underlining Voltri's autonomy, ahead of resolution of the wider dispute over dockers' rights. To ease tempers, VTE has taken on two union members alongside its own staff for a limited period, and the Via Ligure is back at work. "The dockers must realise they are defending a privilege that no longer has any reason to exist. The rules have changed," says Mr Tesini. However, he avoids confrontational language. "I don't want to declare war on the port workers."

Hence his reluctance to speculate on whether dockers will accept the demise of their monopoly. Imposition of the new law in the face of possible union opposition "is up to the forces of the Ministry of the Interior, it's not a matter for the transport minister".

Rather than threatening force, he prefers to focus on other ports, where labour relations are already much more flexible. "Just look at Ravenna," he says. For Mr Tesini, the Adriatic port offers a snapshot of how labour relations in all Italy's docks must change, with a more entrepreneurial union role and private-sector interests involved in managing day-to-day activities, with the state-appointed port authority remaining as an umpire in the background.

Only by encouraging labour flexibility and letting private companies run their own terminals can Italy's ports remain competitive, he stresses. But it remains to be seen whether the softly, softly approach will be enough to persuade Genoa's militant dockers to give up their monopoly without a fight.

Russian oil and gas fields out for tender

By John Lloyd in Moscow

THE Russian government is putting out for tender oil and gas fields off the far eastern island of Sakhalin, according to the Itar-Tass official news agency.

The announcement appears to mean that at least some of the remaining eight fields off the island are to be offered for tenders for feasibility studies, following the award in March of a feasibility study for two of the fields to a Japanese-American consortium composed of Mitsui, Marathon Oil and McDermott.

The political infighting surrounding the award of the contracts has been intense, with the local administration and Moscow disagreeing on the companies to be awarded the contract, and the powerful Russian oil lobby pressing the government not to award tenders to foreign companies.

To counter this latter pressure, Mr Yegor Gaidar, the acting prime minister, has specified in the order he signed on Friday authorising the tender process that foreign companies bidding for the reserves "would be required to make maximum use of Russian labour and resources".

The order also asks the relevant Russian ministries to specify the areas open to tender within the next two weeks – which suggests that a struggle may still be going on as to how much to allocate to foreign investment. Mr Gaidar has also asked the ministries to set up a commission to regulate the tender process.

Among the oil companies which bid unsuccessfully for the first tender awarded to the Japanese-American consortium were the Japanese Sodeco company, set up in the 1970s especially to do a feasibility study on Sakhalin but awarded no more contracts since the completion of the study of two fields; and the US companies Exxon, Mobil and Amoco.

The Russian government is anxious to finish the feasibility studies this year, and begin exploitations next year – following a five-year delay largely taken up with inter-agency and inter-administration squabbles about the development.

Russian oil production is now in a crisis, with production falling rapidly because of lack of investment and as yet only limited foreign involvement in the fields.

Irish leasing company in Ukraine air venture

By Chrystia Freeland in Kiev

GUINNESS Peat Aviation (GPA), the Irish aircraft leasing company, and Air Ukraine, Ukraine's national carrier, yesterday announced the creation of Air Ukraine International, a joint-venture airline offering flights from Ukraine to western Europe and North America.

In an effort to win back western passengers who prefer to fly to Kiev on western airlines, Air Ukraine International is to lease two new Boeing-737s from GPA for its European flights, and plans to lease a number of Boeing-767 aircraft for services to North America to be launched in summer 1993.

The move is unusual for GPA, which controls less than 10 per cent of the joint venture. GPA's regular business is to lease aircraft, but the Irish company apparently realised that unless it contributed to the financing of Air Ukraine International, it would be a long time before the Ukrainians would be in a position to afford western aircraft.

NEWS: THE AMERICAS

Attorney-general sets sights on Brazil's president

Collor could add criminal charges to his troubles, writes **Christina Lamb**

THE political future of Brazil's President Fernando Collor will be decided by a historic vote in Congress, scheduled for today, on whether to begin impeachment proceedings against him for corruption.

In the capital yesterday both sides claimed to be confident of victory. But amid all the suspense surrounding the vote it has been easy to lose sight of what Mr Collor is actually accused of. Even if he survives today's vote he may soon face criminal charges.

One person who has not forgotten is Mr Aristides Junqueira, the attorney-general. He told foreign correspondents yesterday: "My work is currently being overshadowed by the political process but once that is out of the way the criminal process will move to the forefront."

Mr Junqueira has sent 15 questions to Mr Collor to answer by the end of this week and expects then to recommend criminal charges against the president and 14 other people. "I have extremely strong indications that crimes were carried out by the president," he said.

While politicians have been trying to muster votes, the federal police have been hard at work calculating the assets of Mr Collor and Mr Paulo Cesar Farias, his former campaign treasurer and alleged frontman, and attempting to piece together how the alleged corruption scam worked. They have already recommended that Mr Farias be charged with nine offences, including running a crime-racket.

Estimates of how much money was involved range from the $6.5m (£3.8m) found by a congressional inquiry to have been illicitly funnelled to Mr Collor, to upwards of $1bn a year. The 87-day inquiry and police probe have investigated property in Paris, millions spent on replenishing the First Lady's wardrobe, and cheques to Mr Collor's advisers and relatives, including his ex-wife.

Mr Benito Gama, the pro-government head of the inquiry, says he was "profoundly shocked" by what it uncovered: "I never imagined we would find such a network and we probably only touched the surface."

When the inquiry into Mr Farias began in May, Brazilians expected a cover-up. Many leading Brazilian politicians are tainted with corruption accusations and no important figure has ever been jailed for corruption. But the testimony of Mr Collor's former driver led the congressional inquiry to use subpoena powers to request 40,000 cheques.

Helped, ironically, by a regulation brought in by Mr Collor's government to make all cheques carry the name of the payee, they found what appears to be an astonishing web of corruption.

The scheme, as pieced together by the inquiry, was simple. First Mr Farias arranged a network of people in strategic positions in ministries and state companies.

Police inquiries show that money was extorted through various means, such as overpayment on government purchases, commissions on licences and authorisations, rigging bids and kickbacks from contractors. The latter were given receipts by Empresa de Participacoes e Consultos (EPC), one of Mr Farias's companies.

The inquiry obtained cheques showing that 32 large private companies had paid some $15m to EPC in the last two years for services they could not explain. Many details of the operation were kept on computer disk, which even listed the preferred hobbies, restaurants and holiday destinations of ministers and the favourite perfumes of their spouses.

Most of the money detailed by the inquiry that stayed in Brazil went to EPC and Brasil-Jet, a private jet leasing company that never leased any aircraft. Some was then allegedly funnelled into the accounts of Collor family members and aides through phantom bank accounts whose signatories were found by graphologists to be EPC employees.

Bank documents show that $2.37m was deposited in the account of Mr Collor's secretary to pay the president's household expenses.

Police are also investigating the First Lady, who, as head of a government charity, awarded contracts to family members and allegedly channelled funds to a phantom institution sharing the address of her family home.

They have also announced investigations into the possible manipulation of state pension funds, interference in the running of Petrobras, the state oil monopoly, use of insider information for commodity trading, such as Brazil's suspension of coffee exports for a few days last year, and the renegotiation of $86m debt owed by Alagoan sugar refiners.

Mr Collor and Mr Farias had made little attempt to hide their wealth. Having stayed in his own house rather than move to the official presidential residence, to prove his "commitment to austerity", Mr Collor then spent $2.5m landscaping his gardens, according to the company which carried out the work.

Mr Farias, a former trainee priest turned tractor dealer, spent $3m building a heavily guarded mansion overlooking the bay in Maceio in 1990, a year when his declared income was $24,000. He bought a $2.7m apartment in Paris, mansions in São Paulo and Brasília and a black Lear Jet named the Black Bat.

While denying he has had any contact with Mr Farias for two years, Mr Collor has made no attempt to answer the allegations point by point.

Mr Claudio Vieira, the president's former personal secretary, said monies unearthed by the inquiry were the residue of a $5m campaign loan from Uruguay, but the inquiry rejected his documents as not credible and the operation unsuitable for an aspiring president.

Mr Collor claimed on national television that he had no idea where the money came from for his personal expenses. Mr Junqueira snorted at this yesterday: "Can you imagine living in a house and seeing new cars appear, expensive refurbishing undertaken, millions of dollars appearing in accounts and just saying 'how nice' without knowing or wondering where the money came from?"

However, despite his certainty that crimes were committed, he cautioned: "I think it is very difficult in Brazil for someone to go to jail for corruption."

President Fernando Collor, facing an impeachment vote in Congress today, greets supporters outside his home

Cocaine smuggling ring smashed

ITALIAN and US police said yesterday they had smashed one of the world's biggest cocaine-smuggling and money-laundering networks in a huge international swoop that had led to the arrest of more than 200 suspects, Reuter reports from Rome.

The 34 people arrested in Italy included two kingpins of Colombian cocaine cartels and members of Italian Mafia families. Some 167 people were arrested in the US, including a senior executive of Colombia's national bank.

An Italian magistrate said he "would not hesitate to define this operation as the most important ever carried out in Italy and Europe against narco-trafficking and money laundering".

Two people were arrested in Costa Rica and police said they had found a huge cache of drug money in Britain.

The swoop, called Operation Green Ice, took some 18 months to plan and most of the arrests were made last week. It was carried out jointly by Italian police and the US Drug Enforcement Administration.

The drugs organisation used intricate methods – including bank accounts, couriers and ships as well as dummy and real companies in many countries – to smuggle cocaine from South America to Europe.

Some of the money to pay for the drugs was then sent back to South America via bank accounts and companies in Austria, the US and Switzerland. Some remained in Europe.

Officials said the most significant arrest in Italy was that of José "Tony the Pope" Duran, 38. One Italian anti-Mafia official claimed he was "the most important distributor in the world of cocaine for the Colombian drug cartels".

Mr Duran, alleged to be the head of the Pereira cartel, was arrested at a bar near Rome's Spanish Steps last week along with Mr Pedro Felipe Villaquiran.

Mr Duran had brought Mr Villaquiran to Italy to introduce him to the Mafia as his agent for Europe, the authorities claimed.

Mr Vincenzo Parisi, Italy's national police chief, said that in Italy alone more than $9m in cash had been seized as well as securities, jewels and property worth millions more.

Five companies involved in trafficking or laundering were shut down, he said. An employee of an Italian bank in Rome was arrested on suspicion of money laundering.

Jimmy Burns adds from London: UK investigators said they had arrested two men, believed to be Americans, in the Kensington area of London last Friday and seized 43kg of cocaine with an estimated street value of £7m during their contribution to Operation Green Ice.

Customs officers and police also seized nearly £2.5m of what is believed to be drug-laundered money from various locations, including a lock-up garage in south-east London.

The men arrested in the UK were being held and questioned at an undisclosed London location.

A UK customs spokesman said that Britain's involvement in the international operation was small but that the operation as a whole was on a "very large scale".

It was not clear last night whether the two men arrested in London had Mafia connections.

Political resentment thrives in a country divided

The economic divergence between north and south is reflected in impeachment drive, writes **Christina Lamb**

IT IS ironic given Brazilian President Fernando Collor's rhetoric of modernisation that he should hail from one of the country's most backward states, while the most advanced states are at the forefront of the campaign to unseat him.

Alagoas, in Brazil's poverty-stricken north-east, is the kind of place where men kill for honour and hired gunmen cost less than a pair of sneakers.

Another world entirely from the industrialised south, its air is heavy with the sickly aroma of sugarcane on which the state's economy has been based since colonial days.

Brazil's notorious income gap – the world's highest – is particularly shocking in Alagoas where 27 families carve up 40 per cent of state income. Four fifths of the 2.47m population lack clean water and earn an average monthly wage of less than $100 (£57) per household.

Taking advantage of the population's poverty and lack of education, politics in Alagoas is conducted on the basest level. Candidates proffer cement, food parcels, medicines or money in an innovative system known as *voto carbono*. Voters must present a carbon copy of their ballot slip to receive their bribe. In much of the state plantation workers are kept in penury by plantation bosses who command their votes.

Physical intimidation of candidates is common. Mr Wilson Perpetuo, the state home secretary, says: "Alagoas has a tradition of political violence. He who has had power or lusts after it won't accept someone else having it, and so shoots him." The Collor family, it seems, is no exception. Mr Collor's senator father shot a colleague on the floor of the House (hitting the wrong man), while his brother-in-law recently took aim at a mayor.

Mr Collor's critics say that his alleged lack of morality and imperial attitude in his 30 months in office reveal his true colours as a north-eastern aristocrat. One of his own ministers comments: "His problem is he took the politics of Alagoas to Brasilia."

Such remarks are provoking mounting tension between north and south, particularly as the campaign for impeachment has been concentrated in the south where all the leading newspapers and TV networks are based.

Mr José Afanio Godoy, editor of the Journal de Alagoas, complains: "The south just couldn't take being governed by a politician from a poor north-eastern state."

Behind this resentment lies the political over-representation of the small north and north-eastern states and the huge divergence between north and south economically, a gap heightened by the south's rapid industrialisation since the 1950s.

While national per capita income is $2,600, conditions for the 42m inhabitants of the north-east are among the poorest in the world. Almost half live below the poverty line. Life expectancy in Alagoas is 19 years less than in São Paulo.

Mr Marcio Porangaba Costa, economics professor at Alagoas University, says "the north-east is for Brazil what Ethiopia is for the world".

Yet politically it is the south that feels discriminated against. With a population of 61m and contributing just 17.9 per cent of GDP, the north and north-east has 264 senators and congressmen, almost as many as the 289 for the south and south-east with its far larger population of 84m and 75.9 per cent of GDP. It takes 10,750 voters to elect a congressman in the northern state of Roraima compared to 330,000 in the southern state of São Paulo.

The blame lies with the military rulers of 1964-85 who, to retain power with a semblance of electoral legitimacy, increased the representation of small rural states that could be easily manipulated.

Southerners have long been uncomfortable with this situation, pointing out that without the north, Brazil would be a very rich country. São Paulo state alone has a GDP equal to that of Mexico. However, although São Paulo once attempted segregation, Brazilians generally take pride in the country's social harmony – remarkable considering its large population and ethnic mix.

But the Collorgate scandal is changing that, centred around a north-eastern president who has challenged southern economic interests by opening up the Brazilian market. Separatist parties have formed in the south, together with campaigns to form new southern states to increase political representation. In São Paulo last week Radio Atual, a radio station for the large community of north-eastern migrants, was attacked and "Get Out North-eastern Rats" painted over its walls.

Mr Alceu Collares, governor of Rio Grande do Sul, proposes revising the federal structure. "Brazil is the only country in the world where minorities govern," he complains. But with small states dominating Congress it would be difficult to muster support amongst congressmen to change the political balance.

Moreover, there seems little likelihood of improving the economic balance, partly because it suits the north-eastern élite to have the majority of the population poor, backward and easy to control. North-eastern presidents such as Mr Collor and his predecessor José Sarney have failed to reduce the gap.

Nor, as state governor from 1986-89, did Mr Collor improve income distribution within Alagoas.

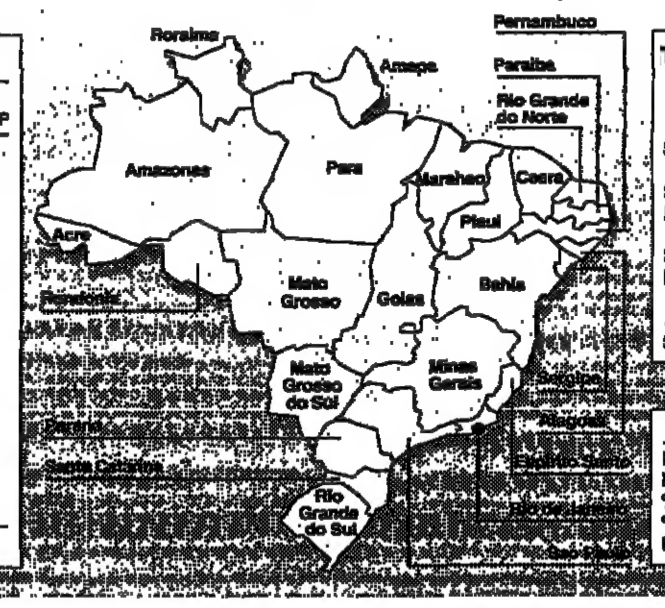
These days Mr Collor is not popular in Alagoas. Many locals accuse him of bringing the state's name into disrepute, not least because his presidency has become known as "the Republic of Alagoas".

Brazil: the North / South divide

The North and Northeast

	Population (m)	% of total	Senators & congressmen	Electors per congressman	% of total GDP
NORTHEAST	42.2	29.0	178		13.6
Maranhao	4.7	3.4	21	140,000	0.93
Piaui	2.6	1.8	13	135,000	0.48
Ceara	6.3	4.3	25	170,000	1.56
Rio Grande do Norte	2.4	1.7	11	180,000	0.90
Paraiba	3.2	2.2	15	75,000	0.71
Pernambuco	7.1	4.9	28	170,000	2.41
Alagoas	2.5	1.7	12	115,000	0.79
Sergipe	1.4	1.0	11	110,000	0.71
Bahia	11.8	8.1	42	170,000	5.07
NORTH	10.1	6.9	86		4.35
Roraima	0.2	0.2	11	10,750	0.06
Acre	0.4	0.3	11	17,625	1.50

North/Northeast total: % of total population; 36, GDP; $60bn



The South and Southeast

	Population (m)	% of total	Senators & congressmen	Electors per congressman	% of total GDP
SOUTHEAST	62.2	42.5	181		58.2
Sao Paulo	32.0	21.4	63	330,000	36.0
Rio	12.5	8.6	49	190,000	12.0
SOUTH	22.1	15.1	86		17.69
Rio Grande do Sul	9.2	6.3	34	195,000	8.36

South/Southeast total: % of total population; 58. GDP; $200bn

	Northeast	Brazil total
Population	42m	146m
Life expectancy	46	60
% households below poverty line	44.0	23.3
% households with electricity	34.3	60.2
Infant mortality	100 in 1,000	60 in 1,000

Sources: World Bank, IBGE, [illegible]

Economic arguments grow louder ahead of referendum

Canadians warned over No vote

Brian Mulroney: underlining likely costs

By Bernard Simon in Toronto

FORCES campaigning in support of Canada's proposed new constitution are warning of the economic cost of a No vote in next month's referendum.

The economic argument has become more vociferous as opinion polls show increasing support for the No campaigners in Quebec and the western provinces of British Columbia and Alberta.

According to a poll by Angus Reid Associates, half the voters in the two western provinces plan to vote No in the October 26 referendum, against 34 per cent who support the new constitutional proposals. In Quebec, opponents outnumber supporters by 45 per cent to 38 per cent.

Supporters of the deal, including all three main political parties and premiers of the 10 provinces, are trying to convince voters that the proposals – though imperfect – offer the best way to preserve national unity and avoid economic uncertainty. Prime Minister Brian Mulroney has also been underlining the likely economic cost of a No vote.

Royal Bank of Canada, the country's biggest financial institution, has painted a bleak picture of a break-up of Canada. The bank estimated in a detailed study that the growth rate of a fragmented country would average only 1 per cent a year over the next decade, compared with 3 per cent if the country stayed intact.

Unemployment by the end of the century would be in the 10-15 per cent range, against 7-11 per cent in an undivided country. The bank said that "uncertainty about political and economic changes would greatly reduce the availability, and increase the cost of, international capital to the Canadian economy and would undermine domestic investor and consumer confidence."

However, opponents of the constitutional deal, known as the Charlottetown Agreement, contend it will not bring political and economic calm. Led by Quebec nationalists – and westerners who argue that the deal gives away too much to the francophone province – they argue that the perennial tensions between French and English-speaking Canadians will remain unresolved.

A large body of opinion in British Columbia, which has the fastest-growing population in the country, is especially upset at a provision guaranteeing Quebec 25 per cent of the seats in the House of Commons. Quebec separatists, on the other hand, claim the agreement fails to meet the province's demands for greater autonomy.

Supporters of the deal remain confident of turning the tide of public opinion before October 26. Their highly organised and strongly financed campaign will only reach full pitch next week with a TV advertising blitz and pamphlets sent to every Canadian home.

They are also pinning their hopes on a relatively large proportion of undecided voters who are said to be susceptible to arguments of the economic damage which might be caused by rejection of the Charlottetown deal.

Honduras and El Salvador plan talks to defuse tension

By Ian Walker in Tegucigalpa

THE presidents of Honduras and El Salvador were set yesterday to begin two days of talks in San Salvador, amid continuing tension in border areas following a judgment on their common frontier this month by the International Court in the Hague.

Mr Rafael Callejas of Honduras and Mr Alfredo Cristiani of El Salvador are expected to establish a commission to deal with the fall-out from the decision.

Although the judgment has been received peacefully – even with enthusiasm in both capitals – people in some of the border areas awarded to Honduras are reluctant to take Honduran nationality.

The feelings run highest in Nahuaterique, a stronghold of the left-wing Farabundo Marti National Liberation Front during El Salvador's 12-year civil war. The FMLN has accepted the Hague judgment but proposed that Honduras allow the residents dual nationality.

However, Honduran law will not allow foreigners to live within 40km of the border.

Although Mr Manuel Pacas Castro, El Salvador's foreign minister, had suggested that, because of the tensions, the Hondurans wait three months before taking possession, the Honduran army has entered the recovered zones.

The judgment awarded 70 per cent of the previously disputed mainland area to Honduras and 30 per cent to El Salvador. El Salvador was awarded the Island of Meanguera in the Gulf of Fonseca, which it has occupied for many years, but Honduras won a guaranteed exit to the sea and maritime rights over a strip of the Pacific Ocean.

The ruling ended a dispute which began in 1969 when a World Cup soccer qualifying game between the two countries triggered an uprising of the Honduran population. In a few days about 300,000 Salvadoreans who had spilled over into Honduras had been expelled.

The forced expulsion, tolerated by the Honduran military, prompted the Salvadorean army to invade Honduras and inflict a humiliating defeat on the Honduran army.

The four-day "football war" cost 5,000 lives, bolstered the Salvadorean military and set back the cause of central American integration for more than 20 years.

The settlement is expected to support those on both sides arguing for a reduction in military spending. It should also reinforce the normalisation of Central American diplomatic and political relations.

Labour conference rejects Maastricht referendum and elects key supporters to NEC

Smith wins double victory on Europe

By Ivo Dawnay, Political Correspondent

MR JOHN SMITH won a double victory yesterday when the Labour conference decisively rejected a referendum on Maastricht and his key lieutenants, Mr Gordon Brown and Mr Tony Blair, were newly elected to the national executive committee.

The results of the voting will strengthen the new Labour leader's grip on the party machine and help reverse the setback of Mr Bryan Gould's resignation from the shadow cabinet over European policy on Sunday.

Senior party officials did not try to disguise their elation with the election result which saw Mr Gould suffer the humiliation of being ejected from the NEC after taking fewer than half the votes he received last year.

That ballot, together with the defeat of Mr Dennis Skinner, the veteran left-winger, after 14 years on the NEC, removed at a stroke two vocal critics of Mr Smith's firmly pro-European policy. It also leaves only Mr Tony Benn as the sole hard-left anti-Maastricht rebel on the NEC.

Labour's "modernising" faction – personified by Mr Brown and Mr Blair, the shadow chancellor and home affairs spokesman respectively – was also strengthened by the election of Mr Neil Kinnock, the outgoing leader, who *topped the poll*.

Describing the referendum vote and the rejection of a motion opposing Maastricht as "a humiliation" for Mr Smith's opponents, Mr David Hill, communications director, said: "It has been a very, very good afternoon."

Delegates at the Blackpool conference were plainly surprised by the NEC ballot results.

Speculation had concentrated on the possibility of Mr Benn being ejected and the likelihood of a close battle between by Mr Blair and Mr Gould. The scale of the former heritage *spokesman's defeat* was attributed to growing irritation in the party at his refusal to mute his criticism of Mr Smith's European policy position.

Taken alongside firmer than *expected opposition to a referendum* on Maastricht demonstrated by the conference yesterday, Mr Smith has substantially increased authority in deciding *tactics in the Commons when, or if, the treaty returns for ratification.*

It will also diminish significantly Mr Gould's efforts to rally opponents to Maastricht. Yesterday, several former *allies were openly critical of* his decision to resign with many attacking its timing at the beginning of the conference as politically inept.

Today, Mr Smith will attempt to capitalise on the clear desire for party unity demonstrated yesterday by staking out Labour's claim to be the party of Europe.

In his keynote speech, he will condemn Mr John Major's "inactivity" in the EC presidency and argue that the role of government is actively to promote employment and *growth*.

Ashley Ashwood

John Smith at Blackpool: the results of yesterday's voting will strengthen his grip on the party machine

Divisions written in sub-clauses not blood

Labour has its differences over Europe but there is little appetite for a battle, writes Ivo Dawnay

THERE is an old Labour tradition that party conferences begin with a blazing row. But compared to past displays of disunity, Mr Bryan Gould's resignation over Maastricht has proved a nostalgic encore.

Undoubtedly, opinions on Maastricht and the leadership's approach to parliamentary Euro-tactics are divided. But they are split so diversely – pro-Maastricht, pro-Maastricht but insistent on UK inclusion in the social chapter clauses, pro-referendum, anti-Maastricht – that the divisions appear not written in blood, but in sub-clauses.

Mr Gould told one of these sub-clauses, the Labour Common Market Safeguards Committee,

"I will be disowned and marginalised about my decision to speak my mind".

Yesterday, the disowning and marginalising was already underway with many Gould sympathisers expressing ill-disguised irritation with the timing and lack of consultation behind his decision to go.

Mr Peter Hain, secretary of the pro-Europe but anti-Maastricht Tribune group, said: "Bryan acted unilaterally. He did not consult any of the people who backed him for the leadership. He's alienated a lot of people," adding the manner of his departure had turned the debate into a discussion of the importance of unity. Many delegates fear Labour has lost its reputation for policy born out of fiery debate.

There is little internecine acrimony even among those ready to defy the leadership over Europe. Mr Brian Sedgemore, a one-time EC opponent, now a pro-Maastricht federalist, claimed Mr Gould had hoped to create a wave of resistance to the party line, but had signally failed to do so.

"There is no stomach for a fight over Maastricht, either in the parliamentary party, the constituencies and certainly not the trade unions."

Although Mr Smith would have preferred that Mr Gould's sense of timing were more tactful, some of the consequences of his *coup de théâtre* are encouraging for the leadership.

With the leading opponent of the policy gone, the shadow cabinet will now toe the line more rigorously than before and may adopt a more overt pro-treaty stance. The possibility of putting more space between Labour and the hesitant Conservative leadership has emerged.

Within six months, the prospect of promoting Labour as fast-lane Europeans and the Tories as the party that let Britain slip behind the leaders offers an attractive prospect. That will require a more explicitly pro-exchange rate mechanism stance than the Smith-Brown axis has so far advocated.

Furthermore, yesterday's crushing conference-floor defeats of those advocating a *referendum will serve as* ammunition should the parliamentary party again attempt to persuade the shadow cabinet to pursue that route.

In the end, whatever the size of the MPs rebellion in the Commons, Labour – just as Mr Smith wants – will not join the Tory right to defeat the ratification process.

Undoubtedly Conservatives will do their best to project Labour as hideously split on European issues. But yesterday proved that the charge carries little real weight. The real disputes are about tactics.

Much more worrying for the party leadership is the lacklustre, downbeat mood that suffused the first day of conference. It is that air of defeatism, not European questions, that Mr Smith must struggle to reverse when he rises to address the party today.

Hurd plans EC talks to avert splits at summit

By Alison Smith

MR DOUGLAS Hurd, the foreign secretary, is to undertake an intensive series of bilateral meetings with his European opposite numbers to try to ensure progress at the emergency European Community summit in Birmingham in mid-October.

The sour atmosphere, however, at yesterday's meeting of EC finance ministers looks likely to make his task more difficult.

Meanwhile, Mr John Major, the prime minister, will use bilateral meetings tomorrow with Mr Francois Mitterrand, the French president, and Mr Poul Schluter, the Danish prime minister, to press the idea that the summit should lead to the drafting of a declaration on devolving decisions to national and regional levels for agreement at the Edinburgh summit in December.

In the background, the government is becoming resigned to weeks more of public wrangling among Tory MPs over its approach to Europe, even if next month's summit lays the foundation for a new declaration on decentralising decision-making from Brussels.

The prime minister's difficulties in reconciling his EC negotiations with the divisions within his own party were underlined again yesterday.

Even as Downing Street rejected *the idea that Mr Major* would deliver an ultimatum on Europe at the party conference next week, and insisted that ministers' remarks over the weekend reflected a fully *agreed cabinet view, Lord Tebbit*, a former Tory cabinet minister, said the government was not united on the issue.

"We know quite clearly that there are powerful voices within the Cabinet who believe that the Maastricht treaty is fatally flawed, that it was a brave effort at the time it was negotiated, but that things have moved on and we could do very much better now," he told BBC radio.

As Euro-sceptic MPs talked of possible cross-party alliances to defeat the bill ratifying Maastricht, Mr Hugh Dykes, a leading Tory Euro enthusiast, called on the government to "see off" the dissidents once and for all.

He demanded that ministers give a lead by bringing forward the bill to ratify the Maastricht treaty as soon as possible.

"For months now my colleagues and I have been warning members of the government what would happen if they failed to explain and defend their EC policies adequately", he said.

Rescue talks for insurer in doubt

By Richard Lapper, Andrew Jack, Alice Rawsthorn and David Owen

RESCUE talks *between* Municipal Mutual Insurance and a French insurer appeared to be in trouble yesterday casting further uncertainty over the future of the stricken British insurance company.

As Britain's ninth largest insurance group struggled for survival the Department of Trade an Industry, which regulates the insurance industry, came under fire for allowing the company to continue trading. MMI insures most British local authorities.

Groupe GMF, the Paris-based holding company that controls the *Garantie Mutuelle des Fonctionnaires* insurance group, said yesterday that it had decided not to investigate further the possibility purchase of MMI's business.

But Mr Brian Wright, chairman of MMI, who will fly to Paris for discussions with GMF later this week, insisted that discussions were continuing.

In a new twist to the story late yesterday, GMF said that other member companies of the Eurosafe alliance, a loose network of European companies which insure local authorities and civil servants, would continue talks with MMI.

Mr Wright said: "The transfer of MMI's business is complex and we have to ensure the transfer is effected in the best way to protect the interests of policyholders. Municipal *Mutual and its subsidiaries are* continuing to write new business and pay out claims in full."

MMI's future has been in doubt since its auditors issued *a severe* warning with the latest set of MMI accounts for the 12 months to December 31 last year. It showed that the company was below the statutory minimum "solvency margin".

Last Thursday, a report commissioned by the leading local authority associations from accountants Touche Ross, recommended that those using MMI should seek alternative cover when *their* insurance policies came up for renewal.

Insurance companies which fall below a certain solvency margin are required by the Department of Trade and *Industry* to submit a plan of action.

"We are keeping in close touch with the company. We have been in constant touch and we understand that discussions are continuing," the DTI said yesterday.

The letter from Touche Ross – stresses that there is a strong possibility MMI will cease trading in the very near future.

Opposition *politicians* reacted to news of MMI's potential demise. Mr Stuart Bell, a Labour trade and industry spokesman, attacked the DTI's handling of the case and urged the government to provide "reassurance and support" for local authorities and individual policy holders.

Someone in the department had taken a decision "that has *the potential to* put thousands of policies at risk," he said.

Travel industry sees loophole in reform plans

PROPOSED government package tour rules could result in disreputable companies basing themselves in European Community countries with weaker regulations, travel industry representatives warned yesterday, **Michael Skapinker writes.**

The government has proposed that the regulations, due *to come into effect at the* beginning of next year, should apply to packages sold in the UK, except when the company offering them is established in another EC country.

The proposed regulations are designed to implement an EC directive requiring travel companies to ensure that if they collapse they can return customers' money and repatriate them. *The directive leaves it* up to each government to decide how the regulations should be implemented.

Abta is concerned that implementation of the directive *will* be weaker in some member states than others, allowing companies to shop around for the least restrictive country in which to base themselves.

The latest version of the UK government's proposals, published yesterday, offer travel companies three options: arranging a bond with an approved trade association; taking out insurance in the form of policies issued to individual customers, giving them the right to claim themselves; and opening a designated account into which deposits would be paid.

Power group to challenge regulator

By David Lascelles, Resources Editor

MEMBERS of Coffer, the group representing electricity interests, are to make a legal challenge against Prof Stephen Littlechild, the electricity regulator.

The group said yesterday that the majority of its members, which include large industrial users of electricity, trade unions and coalfield communities, had decided to apply *for judicial review. This follows* Prof Littlechild's rejection of charges by Coffer that he had failed to ensure that electricity distribution companies were fulfilling their obligation *to buy the cheapest possible* electricity.

The decision was taken at a meeting at the TUC last Friday. However the Major Energy Users Council (MEUC), which represents some of the UK largest industrial companies, was not present and will not decide whether to back the move until a meeting of its executive committee on October 13.

A spokesman for the MEUC said last night that no implications should be read into the delay.

Coffer maintains that new gas-fired *stations being built* by the electricity companies to supply part of their needs did not produce the most economical electricity.

Prof Littlechild told Coffer in a letter two weeks ago that he was already reviewing the economic purchasing obligations, but Coffer said yesterday that this reply was unsatisfactory.

Mr Roger Lyons, chairman of the TUC energy committee, said "The gas-fired power station programme will mean intolerable increases in electricity prices for all electricity consumers, domestic, small business and industry. What *British industry really needs is* the cheap energy that is already being provided by our large, efficient coal-fired plant using British deep-mined coal."

Offer, the electricity regulation office, said: "Our position remains as it was in Prof Littlechild's letter."

● UK electricity consumers got better service from their *electricity companies last year*, according to Offer.

In its latest report on the reliability of electricity distribution, Offer gives figures for the number of supply interruptions and *the time taken to* correct them for each of the 12 distribution companies in England and Wales and the two power companies in Scotland.

These show that London Electricity had the lowest number of interruptions per 100 customers, followed by Norweb.

Bow Street police station, the famous central London home of "The Bow Street Runners", is to close next week, Scotland Yard announced yesterday. The distinctive so-called Runners (above), formed in 1749 to pursue and apprehend criminals wanted for trial by Bow Street magistrates, were Britain's first police force.
The station will be closed as part of reorganisation of police operations in the capital. Officers will be transferred to to Charing Cross police station to make way for an extension of Bow Street magistrates court.

Britain in brief

Ford union official fears German bias

A Ford union official has claimed anti-British feeling had provoked Ford of Europe to announce 1,500 job losses at UK car plants.

Mr Andy Richards, union convener at Bridgend, one of the Ford plants affected by the losses alleged that the management board of Ford of Europe was "dominated by Germans using their position in a nationalistic way."

Mr Richards, who is also chairman of the Ford UK conveners committee, said that job losses – the result of falling sales. – had only been announced for UK plants, not those in France, Germany and Spain.

***Ford said only two members* of the board were German, the rest were mainly Americans. It said Ford of Europe was reviewing its manufacturing throughout Europe.**

Savings bank cuts rates

National Savings, the state savings bank, has announced significant reductions in its fixed-rate savings products. Cuts varied between 0.75 percentage point and a full point.

The Building Societies Association welcomed the move, saying it would further ease pressure on building societies' mortgage rates.

The launch in July of the First Option Bond, which offers a fixed rate over one year with tax paid, caused widespread protests from building societies, which said it was impossible to compete. The gross interest on the First Bond has been cut by a full point to 8.67 per cent, and no longer poses such a competitive threat to building society deposits.

BBC faces overspend

***BBC Television*, the state-owned broadcasting network, said it was facing a £20m budget overspend due to "flaws" in its "financial allocation process" and that it would have to make cuts in "capital investment and programmes." Mr Michael Checkland, director general, has instructed BBC TV to make cuts of almost 3 per cent to stay within its £700m annual budget.**

UK pay gap at new record

The pay gap between the lowest and average earners in the UK this year is the greatest since records began in 1886, according to the *Low Pay Unit*, the independent research group.

The unit, in its analysis of Department of Employment statistics, said in 1992 the poorest tenth of men working in manual jobs earned just 62.8 per cent of median earnings for this group, compared with 68.3 per cent in 1979. In 1886 men in manual work earned 68.6 per cent of median earnings for this group.

Further delay in coal talks

Negotiations on the new contracts between British Coal and the electricity industry have run into further delays. It is now unlikely that Mr Michael Heseltine, the president of the Board of Trade, will be able to announce them at the Tory party conference next week, as originally planned.

Sources close to the talks said yesterday that several weeks of further negotiation might be needed.

Executive pay rises slow

A further slowing of UK executives' pay rises is shown by the latest quarterly index calculated for the Financial Times by the Noble Lowndes group of management consultants and actuaries.

Although the overall rate of increase *for the 12 months ending* tomorrow remains above inflation at 7 per cent, it compares with 8.1 per cent for the 12 months ended on June 30. The increase between October 1990 and September 1991 was 12.5 per cent.

Schools urged to opt out

All schools in a local education authority area should opt out of its control once 75 per cent of pupils are at schools which have already opted out, according to the National Association of Head Teachers.

This would prevent a local education authority from "withering on the vine" to the detriment of the diminishing number of schools left within its authority, unions officials said.

Fork lift group secures future

The future of manufacturing in the UK by Lancer Boss Group, the biggest British-owned lift truck producer, has been secured after two years of uncertainty caused by a planning row.

Mr Michael Howard, environment secretary, has granted Boss planning permission for a project to consolidate manufacturing on one site in the company's home town of Leighton Buzzard, Bedfordshire.

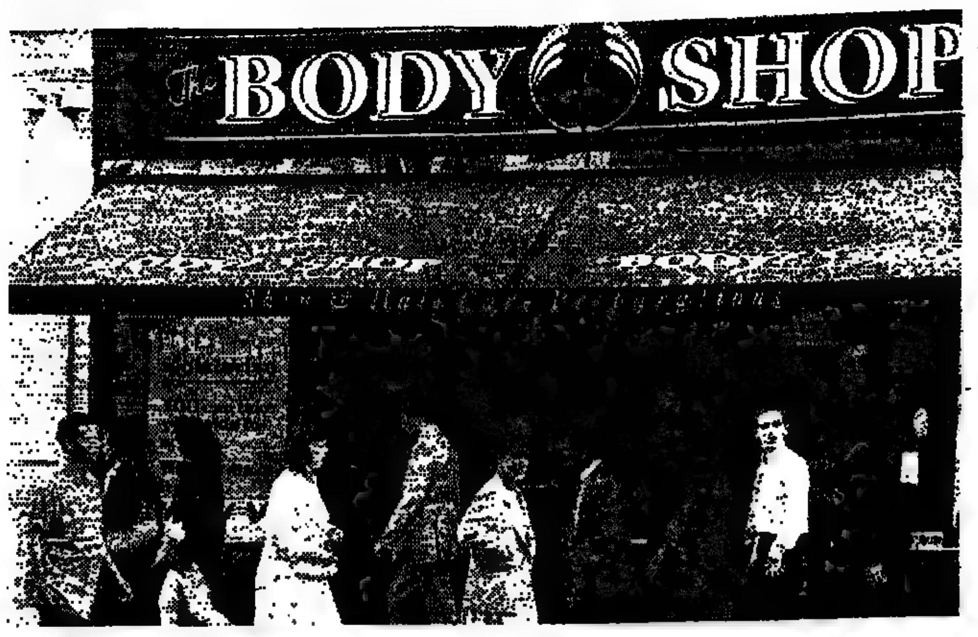
Boss has manufactured lift trucks in Leighton Buzzard since 1959, and two years ago announced the consolidation plan to remain competitive in the world lift-truck industry.

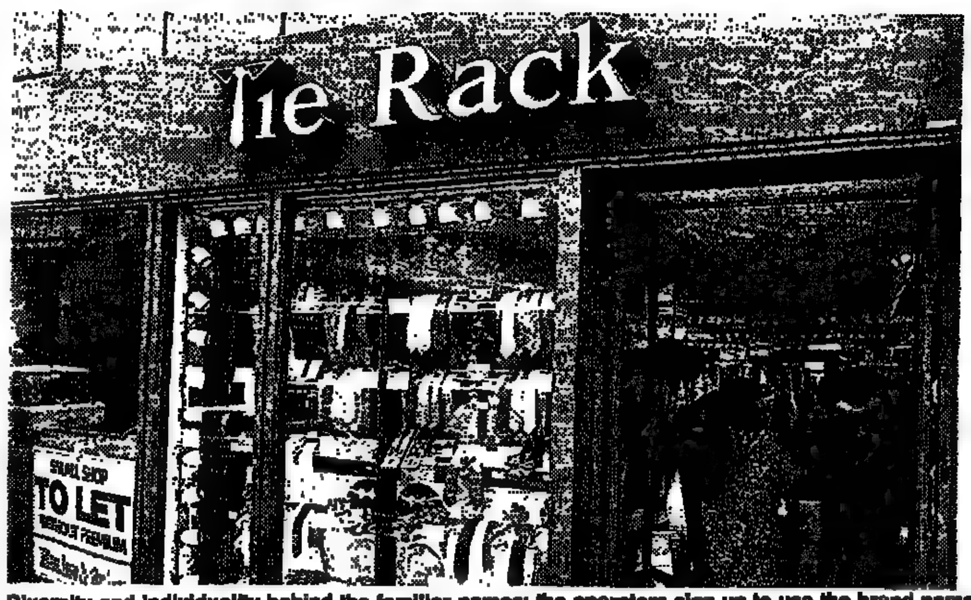
A SPECIAL REPORT

FRANCHISING

Franchising is weathering the recession with varying success in the UK, France and US, writes **Charles Batchelor.** It also seems well suited to develop commercial skills in eastern Europe and to stimulate business in Spain

Expanding prospects





Diversity and individuality behind the familiar names: the operators sign up to use the brand name and established methods of doing business of an existing company

THE UK franchising industry has not escaped the impact of the recession but, looking beyond the short term, franchisors have ambitious expansion plans for the rest of the decade.

Internationally, franchising appears well suited as a means of developing business skills in eastern Europe and has also proved a popular means of business expansion in underdeveloped markets such as Spain.

In Europe, France heads the franchising league by a comfortable margin while the US remains the largest single market worldwide.

In spite of a recent increase in the failure rate of franchised businesses in the UK, franchising appears still able to justify its claims to be a safer method of going into business than the independent start-up. It does not offer a "quick fix", however, for either franchisor or franchisee and the economic downturn has highlighted the need for both sides to work hard on the relationship.

The self-regulation code has not been able to prevent abuses, but it is being tightened

Franchising, sometimes referred to as business format franchising, involves the new business owner, or franchisee, signing up to use the brand name and established method of doing business of an existing company, the franchisor.

The franchisee usually pays an initial fee and a continuing royalty, most commonly a percentage of sales, and may also be required to buy his raw materials from the franchisor. The closeness of the franchising relationship distinguishes it from other forms of cooperation such as licensing arrangements, distributorships, agencies and tenancy agreements.

Franchising has enjoyed a mixed reputation over the past decade. The industry's code of self-regulation has not been able to prevent abuses – though it has recently been tightened up.

The industry continues to be concerned over untried franchises and business propositions masquerading as the real thing but which fail to offer proper safeguards.

The most serious recent dent to the industry's image came with the failure last December of Alan Paul, a USM-quoted hairdressing chain. Following the suspension of Alan Paul's shares receivers were appointed and it subsequently emerged that Fraud Squad inquiries had begun.

Franchisees voiced complaints about the company's practice of jointly managing franchisees' bank accounts – a method which the British Franchise Association (BFA), representing 75 per cent of franchised outlets, described as "unusual". The banks, for their part, were believed to be uneasy about loans made by the company to franchisees.

The fall-out from the demise of Alan Paul would have been greater but for the fact that other companies took over large parts of the business and many franchisees were able to continue trading.

The overall failure rate of franchised businesses rose from just under 6 per cent to just over 7 per cent in the year ended June 1991 (the latest period for which detailed figures are available) and may have risen slightly over the past 18 months.

The impact of the recession was also felt in a decline in total franchise sales in the UK from £5.2bn in 1989-90 to £4.8bn in 1990-91, or roughly 3 per cent of total retail sales. This compares with franchising's retail share of about 6 per cent in France and 35 per cent in the US though international comparisons are complicated by differing definitions of franchising activity.

In the US, where franchising includes sectors such as car and truck distributorships, petrol stations and soft drink bottling, 1991 sales amounted to $758bn, 6 per cent more than in 1990.

But while UK franchising turnover was lower the numbers of franchised outlets and franchising systems increased. The number of outlets (some franchisees own more than one outlet) rose from 18,260 to 18,600 while the number of systems (franchisors) rose from 379 to 432. The number of people employed in franchising rose by 6,000 to 189,500. Looking to the future, franchisors say they plan to double the number of outlets by 1996.

Inevitably, during a recession, tensions between franchisors and franchisees increase. "Franchisees question the quality of the service they are getting while some may delay or refuse to pay the agreed fees to the franchisor," says Mr Martin Mendelsohn, franchise partner at solicitors Jaques & Lewis.

The strains have been most marked in the less profitable sectors and among newer franchisees who have not yet built up trading volumes or paid off their bank loans. The better franchisors have responded by increasing their assistance for franchisees, increasing marketing support and training, notes Mr Peter Stern, senior franchise manager at National Westminster Bank.

Unlike the US, in the UK the banks play a close role in vetting franchisors and in funding franchisees. But faced with the general downturn and losses and provisions in other areas of their business they have taken a tougher line on franchising proposals.

The banks will still lend twice the sum invested by the franchisee compared with their normal lending ratio of 1:1 for other businesses. But they are taking a stricter line on more marginal propositions and business sectors which have had particular problems.

If franchising is to achieve a significant breakthrough from its present small share in retail trade it must open up new sectors and attract big company players. There are signs that both of these are happening.

The number of vehicle servicing franchisors, including activities such as car valeting and tuning, more than doubled in the two years to mid-1991 while the number of outlets increased by 50 per cent. In retailing, numbers of both systems (franchises) and outlets doubled due partly to a move by established companies such as Cullens, Levi Strauss and Rymans to expand by means of franchising.

Retailing accounted for 29 per cent of franchising systems and 25 per cent of outlets while other leading sectors were buildings services (13 and 11 per cent respectively) and commercial and industrial services (10 and 5 per cent).

Franchising is increasingly seen as a mainstream activity by large companies, according to some specialists. "It used to be seen as a strategy for small and medium-sized companies which wanted to grow or as a peripheral part of big organisations," says Ms Amanda Griggs, director of Stoy Hayward Franchising Services.

Inevitably, during a recession tensions increase between franchisors and franchisees

"But now we see a lot of major corporations looking at franchising. In the 1980s these large organisations became very centralised. That was all right in boom times but now they want to give more autonomy to their operating units."

Shell, the oil company, has launched its Shell Share scheme to franchise the operation of its petrol forecourts while several other petrol companies are also looking at franchising. Large dairy groups such as Unigate and Dairy Crest have been turning their milk rounds into franchises while the Post Office has begun franchising the operation of some of its larger offices (not just sub-offices) to retailers such as Rymans and Safeway.

The BFA, in its latest annual review, reports that public houses, petrol stations and motor distributors, at present regarded as "licensed distributors", are increasingly taking on the character of franchises with longer-term agreements between the licensees and licensors. If pubs and motor distributors were included in the franchise industry statistics, as they already are in the US, they would boost turnover to nearly £21bn, the BFA calculates.

Converting licensed outlets into franchises is not always easy, however. Many tenants are reluctant to pay large up-front fees for the privilege of becoming the franchisee of a business they are already running.

The move by large companies into the industry has helped to improve its image but the BFA, which has no wish to see legislation introduced, has been forced to tighten up its own rules.

The association has dropped its "early development" category of membership. This involved no checking of members' status and they were not allowed to advertise themselves as association members anyway.

About 20 franchisors did not renew their membership when this category was abolished, says Mr Brian Smart, BFA chairman. The association has also introduced formal standards for franchisors wishing to take part in the industry's twice-yearly exhibitions, which are an important means of recruiting franchisees.

If the franchising industry can make its tougher codes stick it can expect a bright future. It could ask for no sterner judge of its methods than the continuing recession.

Charles Batchelor explains the opportunities and the pitfalls

It's hard work all the way

WHY SHOULD an established business want to hand over responsibility for developing new outlets to people who are not employees and who may have a strong streak of independence? And why should an individual keen to set up in business on his own account accept the constraints of working to a formula devised by someone else?

Franchising works because it represents a compromise which provides enough benefits to both sides to outweigh the limitations it imposes.

The franchisor does not have the same control as he would have with employed managers but franchised outlets are often more profitable because the franchisee is more strongly motivated. The franchisee, in turn, may want to set up on his own but not be willing to run all the risks of complete independence.

An important advantage to the franchisor is that he can expand more rapidly, using the capital and business skills of his franchisees, than he would have been able to on his own. For a company concerned that rivals may steal a new business idea, franchising allows it to exploit its markets more rapidly.

One London company which offered a service cleaning commercial vehicles started to get orders from the Midlands and the North which it could not handle economically. Lacking the funds to set up a large number of branches it grew by taking on franchisees.

Franchising also helps solve the problem of motivating branch managers since the franchisee has the carrot of working for himself. It is less clear, though, whether franchising provides an easier means of finding good branch "managers" than the traditional recruitment route. Recruitment remains a perennial problem for the industry and only one in 100 of the people who approach franchisors actually takes up a franchise. The British Franchise Association (BFA) estimates that the average cost of recruiting a franchisee, including attendance at exhibitions and advertising, is £2,500.

Yet selecting franchisees is crucial to the success of any franchise. Some new franchisors have been tempted to cut corners to get their network up and running or to collect the up-front fees from franchisees. This inevitably leads to higher costs later on if franchisees have to be replaced.

One of the biggest worries of a company which takes on franchisees is that they will not maintain the standards it has built up in its company-owned outlets. Wimpy, the fast food chain, was forced to buy back some of its franchised outlets a few years ago because of slipping standards while Tie Rack had to end some franchise agreements because the franchisees had breached the terms of their contracts.

The industry requires people self-reliant enough to run their own businesses but who accept the need to work within existing frameworks

Before deciding whether franchising is suitable, a prospective franchisor should run at least one pilot operation for between six months and a year to test whether his business is franchisable.

Companies considering franchising should not under-estimate the resources needed, a recent study by the NatWest Centre for Franchise Research stated. Out of 12 franchises studied three had built up networks relatively easily but four had faced teething problems and five had experienced significant difficulties.

The franchisors surveyed stressed the importance of having company-owned outlets in which to train franchisees and to monitor and develop their businesses.

For the would-be franchisee, the issues to be considered are no less daunting. Firstly he (or she) needs to be sure he has the commitment and the stamina to build up a business. Despite the support provided by the franchisor, the early days will place great demands on the individual.

Secondly, the prospective franchisee must be sure that he is not too independently minded for franchising. The industry wants people who are self-reliant enough to run their own business yet willing to accept the need to work within an existing framework.

He must then consider what would be the most suitable type of business to go into – a fast-food outlet open all hours and serving the general public or a business with more regular hours and serving the business customer. The range of franchising systems on offer is so broad that most people should be able to find a niche.

But can the hopeful franchisee afford the business of his choice? The average cost for setting up a franchise is £45,900, the BFA calculates, while ongoing annual fees work out at an average of 8.9 per cent of sales. The franchise fee and required outlay on equipment and stock vary from sector to sector.

Fees for a quick print franchise are an average of £15,000, twice the industry average, while quick print and catering and hotel equipment charges are also well above the average. Taking up a professional services franchise such as an employment agency, a training consultancy or estate agency is relatively inexpensive because the main asset is the individual's time and expertise. Few individual franchisees can afford to pay for any but the cheapest franchises from their own resources and the banks are usually willing to lend up to two-thirds of the cost of an established, viable franchise.

Once the newcomer has chosen a business sector he must look closely at the individual franchises on offer. If it is a new concept, has it been piloted? Does the franchisor have the backing of the main banks and does his prospectus list all the start-up costs?

The would-be franchisee should examine the franchisor's accounts and have a lawyer look at the terms of the contract on offer. He should check the franchisor's sales forecasts and carry out his own research into the prospects for that business. How strong is the competition and what is it saying about market prospects?

For all the advice that is showered on the new franchisee some still manage to sign up for poorly-managed or unpiloted franchises which fail. Sometimes a franchising format so catches their imagination that they do not carry out the necessary checks.

But franchising is not a quick route to riches, nor a guarantee against failure. Franchisees calculate that it takes on average nearly two and a half years to start trading profitably and four years to recover their outlay while 7 per cent of franchised outlets fail in a year. If any business idea was an easy route to riches why would the franchisor want to share it with others?

FRANCHISING

A SPECIAL REPORT

■ FRANCE

Where image counts most

FRANCE is not best known as a nation of small shopkeepers, but the traditional spread of local retailers is one of the main reasons why it became the largest franchising market in Europe and the second largest in the world.

The number of operators may have slipped in the past two years to 500 franchisors at the beginning of 1992 from 600 in 1990, and to 30,000 franchisees from 33,000, but this is partly because the definition of the sector has been tightened up here.

Despite the economic slowdown, annual turnover rose over the same period to FFr145bn from FFr143bn and still represents about half of such sales throughout Europe.

Even so, franchising is suffering from the slowdown like the rest of the economy and is unlikely to repeat for a while the brisk expansion of 15 per cent a year reported among franchisors until 1988.

Meanwhile, the mix of sectors has shifted. Until a couple of years ago, property and non-specialised food retailing were the two big growth areas. But property is suffering from the economic downturn, and small non-specialist food outlets have been squeezed by supermarket groups.

Nonetheless, the gap is closing between retailing and services. The split now stands at about 55/45 per cent, having narrowed from 60/40 in 1990.

Fast food, printing, theme restaurants and quick car exhaust change outlets have led the way. US chain MacDonalds is still the main exponent of fast food, and now has about 100 outlets throughout the country.

It is one of only a handful of American groups. In France, about 95 per cent of franchisors are French, whereas in the UK about 70 per cent are American. "This was a logical first target for US groups in Europe," commented Chantal Zimmer-Helou, director of the French Franchising Federation (FFF) and general secretary of the European Franchising Federation. She explains Macdonalds' success here by "its great professionalism and ability to create a new market".

Other factors distinguishing France from its neighbours are the importance of image for practitioners in France, and a financial management approach which differentiates between assets and operations. "It is impossible to calculate the return on investment without breaking down the two," Ms Zimmer-Helou said.

The federation has been promoting the approach since last year, but of the two main banks that finance franchising, Société Générale has embraced the principles and Crédit Lyonnais has not, she explained.

It is not surprising that image is so important. prominent. Big brand names have always been more important in France than in either Germany or the UK, she pointed out.

The business world does not always hand out accolades to governments, but Michel Micmacher, chairman of the Pronuptia bridalwear group and FFF president, points out that the French authorities were the first in Europe to recognise the role of franchising in healthy commercial competition, and to back the demands for exemption for the sector from some of the European Community competition regulations.

On the distribution side, the economic ills of recent times have had an impact on the type of new entrants to the franchising industry. In the past, most were new to retailing, but now many are already in the business and are finding life as an independent too tough, Mr Micmacher said.

"In the past two or three years, we have seen more and more retailers in difficulty joining franchise groups," he added.

As for bridalwear, the Pronuptia group, which is now in 17 countries, is holding up to the crisis in Belgium and Germany.

Surprisingly it is also doing well in Poland, because, Mr Micmacher points out, France has long been a cultural role model for the Poles, and that includes young 25-year-old women preparing for marriage.

In France, small ready-to-wear seeking to diversify have nibbled away at the bridalwear specialists, but many of them have not succeeded, he said.

Patrick Harverson on the Americans who have had a good year

Resilient in a recession

IN DIFFICULT year for US businesses, one of the few bright spots has been the franchise industry.

During a difficult period of post-recession stagnation, the franchise industry displayed one of its greatest strengths – resilience in tough times.

According to the International Franchise Association, a Washington-based industry body, franchise sales exceeded the growth of the US economy by more than 500 per cent in 1991, rising 6.1 per cent from $713.8bn in 1990 to $757.8bn last year, in spite of the near stagnation in the wider economy. Today, 542,000 franchises employ more than 7m people in more than 60 different industries.

The outlook remains bright, in spite of modest expectations of growth in the economy as a whole. A study by Arthur Andersen published this month forecast that the number of franchises will grow by 15 per cent in 1992. Total sales are expected to rise by a similar amount to $812bn, to account for more than 35 per cent of all US retail sales.

Ironically, the franchising industry is drawing its strength from the very economic weakness that is troubling the rest of the country. Experience shows that franchising is a counter-cyclical business. During recessions unemployment rises, and large numbers of newly unemployed workers, including many with management experience, are forced to look for new work. In the present recession, unemployment in the US has risen to its highest levels for eight years.

Increasing numbers of the newly jobless, particularly those disaffected by life as a regular employee in a large company, have turned to franchises as the best hope of gainful, and relatively secure employment, and become franchisees. For them, a franchise business offers a large degree of independence and potential for profit, a business backed by the financial, marketing and psychological support of the group that owns the franchise – the franchisor.

Franchising has done especially well out of this latest economic slump because the rise in unemployment has been unusually marked among well-educated managers in white-collar, service industries. These are just the sort of people that traditionally supply fresh blood for franchises, partly because they take substantial sums in redundancy payments from their jobs, money that can be invested in franchises.

Furthermore, many franchising operations cover certain businesses that profit most from providing consumers with quality goods and services at relatively inexpensive prices – which is exactly what people look for when belt-tightening is the economic priority in households.

Other factors help franchises prosper in difficult economic times. Co-ordinated marketing and advertising programmes provided by national groups help franchises respond quickly to changes in consumer habits, especially

Growing numbers of newly jobless have turned to franchises as the best hope of gainful and relatively secure employment

regarding growth in the demand for "value" goods and services. Demographic trends are also in franchises' favour: as more women work, franchises can fill the gap by taking on tasks normally done at home.

Mr Leonard Swartz, a former managing director of Arthur Andersen's franchise consulting services division, says: "Corporate workforce reductions, shifts in human and financial resources, changing consumer needs, and the rising appeal of entrepreneurship are fuelling franchise growth in the US."

Despite the rosy outlook for franchises, there are some clouds on the horizon. Tensions between some franchisors and franchisees over the terms of contracts have been building, particularly between older, more experienced franchisees operating multiple franchises in a mature market.

Growing numbers of these "multi-unit" franchisees, many of whom have become millionaires from decades of success, are concerned about transferring the ownership of their franchises to family members and about the renewal of long-term contracts.

Mr John Reynolds of the International Franchise Association in Washington DC explains: "Some of these multi-user franchisees are in a tug-of-war with franchisors over what their relationship is going to be like over the next 10 to 20 years. They want a deal for the next 10 or 20 years that is at least the same as, or preferably better than, the one they signed 20 years ago."

It is not just the more experienced franchisees that are getting involved in disputes. Younger ones are just as unhappy with some current contracts, which they claim limit their rights and opportunities for personal financial success, while others claim to have been defrauded by franchisors but, because of their contracts, cannot take up their grievances in the courts.

On the other side of the fence, however, franchisors want to maintain control over the franchise system, and ensure any contracts they sign will keep them competitive in the marketplace. The result has been a growing number of contract battles, some of which are resolved privately, some of which go to arbitration, and some of which go to court.

To no-one's surprise, government legislators have stepped into this battle, eager to provide better protection for "David" franchisees against "Goliath" franchisors.

At a state level, the most dramatic change has been in Iowa, where legislation was passed in mid-July that John Reynolds of the IFA describes as a "radical departure" from the general body of laws and regulations regarding franchise contracts. "Under the Iowa law, in the contractual relationship the franchisee gets more leverage at the expense of the franchisor's control over the organisation," says Reynolds.

The Iowa statute bars termination of franchisee contracts without advance notice, requires franchisors to accept sales of franchises to relatives and qualified buyers in some circumstances, and voids all contracts between parties that call for legal disputes to be resolved outside Iowa.

Franchisors were quick to respond. MacDonald's and Holiday Inn, two of the country's biggest franchise groups, have filed lawsuits in Iowa to challenge the constitutionality of the law's provision regarding pre-existing contracts, and industry observers believe the suits have a fair chance of success.

Franchisors, however, face a fight not just in Iowa. Many states are currently considering some form of new legislation for franchises, and at least five are reported to be considered following Iowa's radical route.

At the Federal level, Congressman John LaFalce, chairman of the House Small Business Committee, has filed two pieces of legislation that travel much the same legislative path as Iowa's.

To counter the new regulations, franchisors have been lobbying at the local and national level, arguing that the new laws could discourage franchisors from creating new franchises because the strict legislation make expansion economically unviable.

Despite the rash of contract disputes and threats of tougher legislation, industry observers do not expect the problem to prove a major hindrance on franchise growth in the US. John Reynolds of the IFA is confident about the future: "Franchisors and franchisees will eventually realise that there is more to be gained by avoiding costly contract disputes, legislative battles and litigation, because both sides lose when that happens."

Richard Glover: we need a certain type of person

Learner at the wheel: a well-oiled operation

■ Case study: BSM

Self-employed instructors

IT WAS the type of incident every driving instructor fears; as Bob Gilchrist sat with his pupil at a red traffic light a car ploughed into his dual control vehicle, leaving him with whiplash injuries.

Knowing that the accident was not his or his pupil's fault, and that there was nothing he could have done to avert it, was little comfort to Mr Gilchrist, who is self-employed; what did ease the pain was the £239 a week he received, for the month he was off work earlier this year, from the British School of Motoring.

Although most people in Britain have heard of BSM, far fewer are aware that Mr Gilchrist and his 2,000 fellow BSM driving instructors are not employees of the company, but self-employed franchisees.

Each week they give BSM a substantial chunk of the fees paid by their pupils; they also have to buy petrol for the lessons and pay their own National Insurance and tax.

But, in exchange, the company provides them with a new dual control Rover Metro every 18,000 miles, services, repairs, taxes and insures the car, backs them up with training materials, shoulders the administrative burden and provides a flow of learners, attracted by the BSM name.

Since last year it has also introduced a franchise fee repayment for up to 26 weeks in the event of injury or sickness, the arrangement from which Mr Gilchrist benefited.

BSM, Britain's dominant motoring school, occupies a curious position in a sector in which lone operators take a substantial slice of the market. Each year it trains more than 1,000 instructors; many of those who qualify and are registered with the Driving Standards Agency, a wing of the Department of Transport, subsequently set up in competition to BSM.

Mr Gilchrist, who has been with BSM since becoming an instructor eight years ago, has seen a number leave to go it alone. "I've known people who think they're going to earn thousands and in six months they've disappeared. The grass is always greener on the other side, but it doesn't always work out like that."

BSM, which estimates it has an 18 per cent market share, operates 130 branches from Aberdeen to Plymouth. Acquired in a management buyout in 1990 for £40m from the Jacobs family, it has 450 employees. Of these, 300 man the branches, in clerical, administrative and sales roles, 50 give instructor training and 50 are based at the company's national vehicle preparation and repair complex in the Midlands.

The 2,000 instructors, who between them give lessons to 200,000 people each year and drive 1m miles a week, can elect to pay BSM either a fixed fee or a variable, hourly fee.

Mr Gilchrist has opted for the fixed fee, currently 16 hours tuition fees' a week; in Newcastle upon Tyne, where he is based, and other parts of Britain outside London and the Home Counties, that means 16 times £14.95 – £239 a week. On top, he calculates he spends about £50 a week on petrol for lessons and commuting from his home to work.

Under the variable, hourly fee, an instructor in a £14.95 per lesson area, working 27 hours a week, would end up with £131.90, before petrol; on 35 hours it would be £201.85 before petrol.

The recession has temporarily dented instructors' earnings; Mr Gilchrist would like to teach 40 hours a week, which would bring him about £300, net of the fixed fee and petrol, but at present he is working around 30 hours a week, leaving him with about £150 after fee and petrol.

But even though he quite often recruits his own learners for BSM he still believes he is better off under the company umbrella. "All the benefits I have here would be a lot to give up."

Richard Glover, BSM's managing director, says it has stuck to a franchise arrangement for its instructors both because of the flexible nature of the work and the ethos of a business dominated by the lone operator. But within the franchising terms, instructors' payments to the company are being gradually reduced, and their benefits enhanced, to persuade more to stay with BSM.

To see the work at first hand, Mr Glover has sat in on some lessons. "I have a healthy respect and admiration for driving instructors," he says. "It does require a certain type of person."

Mr Gilchrist is affable and calm. "I don't shout, it's pointless." The job has moments of great satisfaction, like the time a 72 year-old first-time learner, desperate to take his terminally ill wife out for rides, passed his test.

Chris Tighe

Andrew Jack on the tricky process of obtaining start-up cash

Rewards for ingenuity

MR DAVID BLAYLOCK is one of the lucky ones. From an uncertain start with a relatively unknown franchisor providing courier services nine years ago, he has built a growing operation which ranges across Saffron Walden and Colchester.

But – in common with many franchisees – obtaining finance was not easy. Blaylock, managing director and owner of the Interlink franchises for the two regions, had to resort to unusual sources to help him build up his business.

"I used my family and not bank support," he says – blood ties allowed him to borrow £3,000. Since that time, he has been able to use Lombard North Central, the credit finance and leasing subsidiary of National Westminster Bank, to fund the purchase of a number of delivery vans. He has also obtained support via the bank through the government's small firms' loan guarantee scheme.

Mr Ian Harvey of Stoy Hayward's franchising consultancy says the main source of finance for franchisees remains the clearing banks – particularly those which have a reputation for work with small businesses. For franchisors, venture capital and equity routes may also be available.

Mr Tony Ellingham, franchise manager for NatWest, stresses that three elements remain essential for any potential borrower: a business plan, an operating budget and a cashflow forecast.

"No matter how big or small you are, we still expect you to go through the discipline of putting these statements together," he says. "We expect customers to have prepared them in advance of seeing us. It saves a lot of time."

For businesses interested in becoming franchisors, he recommends using a franchise consultant, preferably affiliated to the British Franchise Association, to help carry out a feasibility study. Both franchisee and franchisor will also need an accountant to help develop projections. A typical outlet might typically expect a return on investment within two to five years.

He says that one frequent obstacle for businesses trying to raise finance is that the individuals applying do not have sufficient security to back their loans. That is where the small firms' loan guarantee

Lots of franchises are currently for sale and should be checked out thoroughly before purchase

scheme, which is backed by the Department of Employment, can help.

It is available in addition to – rather than in competition with – normal commercial finance, and offers the lender guarantees for 70 per cent of the total loan in return for a 2.5 per cent premium to be paid by the borrower on the sum guaranteed.

Eligible businesses must be small, with fewer than 200 employees and limits on turnover. Certain activities are not covered, such as agriculture, betting, banking, tied pubs and bars and estate and travel agents. All applicants must submit a thorough business plan and have a clear idea of how much finance they need and to what purpose it will be put.

Ellingham remains optimistic about the future for the financing of franchises. "More and more people are considering franchises, and we are certainly still committed to them," he says.

David Blaylock goes one step further back, and stresses that the best preparation for financing a franchise comes in the selection of the franchise itself in the first place.

"There are a lot of franchises on the market at the moment," he says. "You should check them out thoroughly and speak to the people involved."

His start-up problems illustrate the fact that it is never easy to obtain finance. Yet he had much in his favour. He had held a bank account with National Westminster since before he was 16. He ran a newsagents shop before decided to apply for a franchise. He also now plays football with his local bank manager.

For Jenny Allen, owner of a Cullen's franchise in London, it was trickier still. "Obtaining finance?" she says. "It was incredibly difficult. I think frankly the fact that I was 27, single, a woman and with no equity, seeing a 40-year old bank manager didn't help."

She was managing a Cullens shop three years ago when she decided to buy the franchise. But the turnover was too large for her to be eligible for the business development loan.

But there is an optimistic end to the story. She was helped by a sympathetic policy of support from Cullens itself. She then managed to obtain bank support and go ahead with a five-year loan. She has paid it off within 18 months.

MANAGEMENT: THE GROWING BUSINESS

Middle-size companies go abroad for growth

Medium-sized companies have more extensive international operations than is frequently recognised, according to a survey* by accountants Deloitte Touche Tohmatsu International, *writes Charles Batchelor.*

Forty-nine per cent of middle market companies – typically with sales of up to $100m (£58.4m) and most without a stock market listing – had established manufacturing operations abroad while 86 per cent sold abroad.

The most common reason for going international was to exploit growth opportunities (cited by 84 per cent), followed by a desire to reduce dependence on the home market (39 per cent), customer demand (34 per cent) and an attempt to reduce costs (24 per cent).

"It is interesting that the cost factor is relatively unimportant compared to the more positive market-oriented factors," the survey noted, though in high-wage countries such as Germany and in Scandinavia, cost was a more important reason.

The common reasons for not establishing foreign operations were that the risks were too high and likely profits too low (23 per cent), or that companies could not find a suitable business partner (16 per cent).

Almost 400 companies "below the level of multinational" in 20 countries were questioned.

**Why Companies Go International. Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR. Tel 071 936 3000. Free.*

Sources of help	% of companies using them
Personal visits	79
Outside advisers	37
Embassies/ consulates	35
Approached by joint venture partner	30
Chambers of Commerce	23
Conferences/ publications	20
Other political/ governmental sources	19
National development agencies	18
Other	15

Source: Deloitte Touche Tohmatsu International

Charles Batchelor looks at how companies can reduce the risks of foreign exchange fluctuations

Making a mark in currencies

The foreign exchange dealers have taken their profits; the politicians appear to have survived the debacle; but what are businesses to make of the ruins of Britain's exchange rate policy?

British Technology Group, the technology transfer agency which makes 80 per cent of its £25m-plus revenues abroad, says it now takes much greater care to hedge any surpluses or deficits which emerge in cash flows within Europe.

"While the European exchange rate mechanism (ERM) was in force, currencies varied within a very narrow band so it didn't make much sense to 'fix' our surpluses," says Rusi Kathoke, finance director.

Designers Guild, which makes 60 per cent of its £15m furniture, fabrics and wallpapers sales outside the UK, says it used the relative stability of the ERM to shift its borrowings to the currencies of countries with low interest rates.

"We could keep some of our liabilities in D-Marks because the interest rate was lower and there was little currency risk," says Mark Naughton-Rumbo, financial controller. "Now we can't do that. We have squared our positions off and if we have to borrow more in a high-interest currency, we just have to bear it."

In the short term, the suspension of Britain's membership of the ERM and sterling's fall may require companies to adjust their price lists. But in the longer term, the principles of sound foreign exchange management will still apply.

The difficulty is in getting businessmen and women to understand the fundamentals of a subject which many regard as arcane. "People often don't know what questions to ask," says Michael Pearce, founder of a Hertfordshire-based treasury consultancy.*

Business owners often only take into account their currency exposure on a particular sale to a foreign customer. Will they get as many D-Marks when the customer pays in three months time as they would today? But the transaction risk is only one of three areas where a business can be exposed.

A company may also face translation exposure if it has assets or liabilities – a factory overseas, the balance sheet of a foreign subsidiary – priced in a foreign currency which it must reflect on its sterling balance sheet.

The third and least obvious risk is economic exposure. This may affect a company which does no foreign business just as much as one which does, says Pearce. If its competitors buy supplies from overseas and sterling strengthens, then the competition will enjoy a cost advantage selling into the UK. The creation of the single European market will

The foreign exchange swings that make life difficult

Source: Datastream

increase the economic exposure of many businesses.

Because companies face a combination of foreign currency exposures, they need to develop a coherent strategy for dealing with them, advises Pearce.

British Technology Group makes handling its foreign currency exposure a key part of its cash flow management, explains Kathoke. The company took the decision to reduce its exposure to high UK interest rates and took out long-term dollar and yen-denominated loans, matched to its expectations of revenue flows from these two currency areas.

"We don't have to hedge because our debt is matched by the cash flows we expect over time," says Kathoke. "We don't look at our foreign exchange exposure in isolation."

Once a company has identified its foreign exchange exposures, it must then decide whether it needs to hedge them. If a company's sales, profits and competitive position will be unaffected by changes in the value of its home currency, then it need do nothing. But very few companies are so protected.

An alternative is to hedge everything but this ignores the cost and the possibility that some hedges can put a company at a competitive disadvantage. A company which bought foreign currency forward to hedge the value of, say, wine shipments from France would be locking itself into a particular rate and a particular cost structure.

If sterling strengthened against the franc and the company's competitors had not hedged the value of their purchases, they would be able to buy the wine much more cheaply. "The importance of the competitive environment can often get overlooked when foreign exchange policy is being developed," warns Derek Ross, partner in charge of treasury management at accountants Touche Ross.

The third, and most commonly chosen, option is to hedge selectively. All of the companies contacted for this article did this and said they adopted a defensive approach to hedging. However, companies are sometimes tempted to speculate. Since this implies that the company believes it has a better insight into the future value of a currency than the dealers and economists whose job it is to take a view of the markets, it is better avoided.

Once a company concludes that it needs to hedge its exposure to currency fluctuations, it will need to decide on which method or methods to use:

- A natural hedge may be available if assets and liabilities in the same currency can be matched. British Technology Group aims for a long-term match of overseas loans with revenue flows, while Designers Guild sets purchases of raw materials in foreign countries against sales to those countries. "Fifty per cent of our cash flow has a natural cover," says Naughton-Rumbo. The advantage of natural hedges is they can be "fail-safe" and once in place are often simpler to manage.
- Forward contracts are a commonly used method of "fixing" an exchange rate until delivery and payment are made months or even two or more years later. Thermomax, a Bangor, Co. Down-based manufacturer of solar heating equipment, frequently uses three or six months forward contracts to fix the value of foreign shipments. "We are happy to lock ourselves in at an acceptable price," says Ralph Keir, finance director of the 120-employee company.

A drawback of such contracts is that they require the company to deliver or take delivery of the currency involved when the contract matures, irrespective of whether the delivery has gone ahead and even if the company has to buy in the currency at a less favourable rate.

- Currency swaps are similar, though usually cover longer periods, and are usually only available in larger amounts. A company will swap its debts through a bank with another company. The swap agreement sets a rate at which the currencies will be exchanged at a date in the future and until that time, each company pays the interest on the other's currency debt. The aim is to give the two parties a debt in their desired currency.
- Option forward contracts are similar to a standard forward contract but, rather than setting a single settlement date, provide a range of dates. This can be useful for the company which does not know when a bill will be settled but such contracts are very expensive because the bank will price it at the worst point in the range of dates covered. It is usually better to take a standard forward contract and, after it matures, put the funds on deposit until they are needed, advises Ross. Option forwards must not be confused with:
- Currency options. These confer the right but (unlike forwards) not the obligation to buy or sell the agreed amount of currency up to or on a set date in the future. If a deal falls through or currencies do not move adversely, then the company buying the option can simply let it lapse.

Unlike a forward contract, where the "price" is concealed in the rate offered, the cost of an option is a premium. The level of the premium depends on how close the exercise rate is to the prevailing exchange rate and the time to maturity.

The workings of the foreign exchange markets are often confusing to the outsider. But there are techniques to reduce a business's currency exposure. Doing nothing is certainly not a risk-free option.

Useful reading: Foreign Exchange Management. Touche Ross. Tel 071 936 3000. 46 pages. Free.

**Pearce Management Consultants. Tel 0442 65521.*

In a Nutshell

How vocational training can pay

Many people engaged in vocational training are not making use of tax breaks which are available, according to the Inland Revenue.

UK residents who do not receive any other government assistance awards can claim a discount on training towards National Vocational Qualifications and their Scottish equivalent.

Trainees complete a form provided by the training organisation and deduct 25 per cent (the basic rate of tax) from their study, examination and assessment fees.

Even non-taxpayers can get this discount while higher rate taxpayers can get relief at the higher rate through their tax office.

Venture into the publishing world

A fortnightly newsletter covering the venture capital industry has been launched by Initiative Europe,* a publishing and research company. The newsletter, Unquote, will cover smaller venture capital deals, flotations and sales of venture-backed companies, and people in the news.

It represents competition for the bi-monthly UK Venture Capital Journal and its European and US counterparts.

**69 Bondway, London SW8 1SQ. Tel 071 735 9838. £375 a year.*

Helping hand on green issues

The UK government plans to launch a three-year programme to help small and medium-sized companies improve their environmental performance.

The programme, details of which have yet to be worked out, is intended to be jointly funded by the government and business. There are plans for a linked series of national, local and sectoral initiatives to provide chief executives with practical guidance on environmental issues.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

AUCTIONS

BUSINESS FOR SALE

AN OPPORTUNITY HAS ARISEN TO ACQUIRE A MAJORITY SHAREHOLDING IN A HIGHLY SUCCESSFUL PRIVATE MECHANICAL SERVICES COMPANY

* Blue Chip Customer Base Throughout the UK
* Consistent Growth Record in Turnover and Profit (£8 million 1991/92 from £2m 1988/89)
* Pre-Tax Profits of £700k for 1991/92 Year End
* Current Order Book £11m
* Growth Finance Through Profits and Not Overdraft
* Cash & Fixed Assets Currently £1m Plus

Genuinely interested parties please write to Box A4412, Financial Times, One Southwark Bridge, London SE1 9HL. PRINCIPALS ONLY

OFFSHORE OIL AND GAS FOR SALE

MANPOWER BUSINESS
ESTABLISHED SPECIALIST MARKET
T/O £2.4 Million
NON-CORE DIVESTMENT

Write to Box A4507, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS SERVICES

"BEST IN CLASS" BENCHMARKING

Gain competitive advantage through the powerful practice of benchmarking, which enables companies to identify their critical success factors and to match or beat existing best practice.

We are experts in :-

* Internal and Customer Benchmarking
* Competitor Benchmarking
* Negotiating Benchmarking partnerships with the "Best in Class"

For help and advice, call:-

THE BENCHMARKING PARTNERSHIP
6 Spinnaker View
Bedhampton
Havant
PO9 3JD
Tel: 0705-455338 Fax: 0705-455339

CORPORATE TIME MACHINE

1/3rd SHARE available in fully managed & crewed operating lease on pressurised 5/6 passenger EXECUTIVE AIRCRAFT. Based Southampton Airport (Central London 1hr). Fly to YOUR SCHEDULE throughout UK & Europe. SAVE 100s OF HOURS of YOUR time. For details & colour brochure call ARRIENNE 0590 612164/612616 (fax) the recession proof approach to corporate travel

Your Offshore Office. Mannin Secretarial Services Ltd, Isle of Man Tel: (0624) 672411 Fax: 678968

HARLEY STREET BUSINESS CENTRE. Fully serviced offices, business address, boardroom, all secretarial services plus free telephone and message taking for further details. Phone: 071 637 5505.

YOUR OFFICE IN LONDON. Full secretarial/commercial support. Short/long term or your business address. Companies formed. Bilingual German/English. Please contact Mr Scott 071-328 1102, Fax 071-624 2461.

PERFORMANCE-RELATED PRESS PUBLICITY. Press Cuttings, not promises. 0372 468811 Fx 0372 462080

GROSVENOR STREET, W1. Lux. furn. serviced offices, sec., fax & telex, fr. £70 pw. short/long let. Tel: 071-493 7830.

YOUR MAILING ADDRESS IN TRAFALGAR SQUARE. Messeturm, Faubourg St. Honore and 70 other top locations worldwide. Call Regus on 071 872 5600

DIRECT MAIL LISTS & SERVICES 1000's of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogue, Market-scan, Freepost, Chichester, Sussex. Tel 0243 786711

CONSTRUCTION INDUSTRY

Recession driven problems
Experienced rescue team offers services.
Financial – Construction – Surveying
Box A4408, Financial Times, One Southwark Bridge, London SE1 9HL

PTB INTERNATIONAL SAL

Offers the following services:
* Merger and Acquisition of financial firms

Interested companies, please write to PARIS:
TEL 33 1 42 21 42 23
FAX 33 1 45 [illegible]

COMPUTER-RELATED DISPUTES

Cost-effective and speedy resolution avoiding litigation.
Richard Britton
0722 334407

BUSINESS AND ASSETS Of solvent and insolvent companies ; for sale. Business and Assets.Tel 071 262 1164 (Mon - Fri)

YOUR OFFICE IN LONDON From 70p a day. Accom/Tel Ans/Tlx/Fax/Mail Box etc. Office Box. Tel: 071 436 0766 Fax. 071 580 3729

APT ACCOUNTANCY for immediate cost effective assistance and long term support. Call: Keith Leathers FCMA 061-421 3737 or Maurice Hobbs 0702 293658 (Essex) or Brian Evans FCA 0635 49984 (Berks)

OFFICE EQUIPMENT

SALE PRIOR TO AUCTION

LARGE COMPANY CLOSES OFFICE FURNITURE DIVISION

Light Oak Desks, Tables, Filing Cabinets.
Grey Desks, Tables, Cupboards.
Conference Tables with Chairs.

London Ring: 081 549 9339

MANAGEMENT COURSES

Making the transition to junior middle management, requires a range of fundamental business skills that can take years to achieve. The MBS Business Awareness Programme aims to provide these during a one week intensive residential course. Active participation and the frequent use of small syndicate and discussion groups characterise the course. As one of Europe's leading business schools, this programme will quickly make your junior middle managers more effective, efficient, confident and motivated.

A HEAD START IN BUSINESS FOR graduates AND junior managers

The course will be held on 15 - 21 November 1992 and 18 - 24 April 1993.

For bookings or further information complete and post the coupon below to: Leigh Thomson, Management Centre, Manchester Business School, Booth Street West, Manchester M15 6PB. Telephone 061 275 6407. 6 or Fax 061 275 6582 for immediate information quoting ref. no. FT: BAP, 1

Please send me further information on the Business Awareness Programme.

NAME
POSITION
COMPANY
ADDRESS
POST CODE PHONE

FT/BAP/1

MANCHESTER BUSINESS SCHOOL

Timber Importer and Distributor
Hull

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Hollis Timber Limited.

Principal features include:

- Potential turnover of approximately £4½ million.
- Substantial stocks of hardwood and softwood.
- 8 acre leasehold site situated adjacent to dock complex.
- Kiln drying and saw milling facilities.
- Widespread customer base.
- Experienced management.

For further information contact the Joint Administrative Receiver, Rodger Taylor, KPMG Peat Marwick, The Fountain Precinct, 1 Balm Green, Sheffied S1 3AF Tel: (0742) 766789. Fax: (0742) 768213.

KPMG Corporate Recovery

INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Groups of Assets of "GREEK OLIVE OIL SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou street, Athens, Greece, in its capacity as Liquidator of "GREEK OLIVE OIL SA" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990,

invites tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auctions (the "Auctions") of one or more of the groups of assets of the Company, described below.

BRIEF INFORMATION ON THE COMPANY: The Company was engaged in the production and processing of kernel olive oil and soap. The operation of the Company has ceased since 1989 and no personnel is currently employed.

GROUPS OF ASSETS OFFERED FOR SALE (brief description)

1. Plant in Aigion (1st Auction) on a 50,068m² plot, consisting of: kernel olive oil facilities, soap manufacturing, distillation of fatty acids, kernel olive oil processing and refinery unit (de smel) steatin production and hydrogen production sections.
2. Kernel olive oil plant in Zakynthos (2nd Auction) on a 5,853m² plot (5,115m² inside and 738m² outside the town plan) and a 366m² plot near the plant (note: legal proceedings are pending in respect of a 491m² portion of the plot).
3. Kernel olive oil plant in Kourfaloea, Kissamos, Crete (3rd Auction), on a 26,140m² plot (note: the plot is encumbered by a right of way. Also, part of the land is located within the seashore).
4. Kernel olive oil plant in Mytilini (4th Auction), on a 5,195m² plot.
5. Kernel olive oil plant in Gythion (5th Auction), on a 24,380m² plot.
6. Remaining property of the Company (6th Auction): The Company's remaining property offered for sale as a single whole consists of the Company's industrial property (trade name, logo, trade mark "ERMIS", claims, furniture, 11 telephone lines) and of real property which includes the following plots: 1) 491m² in Myrtia, Aigion; 2) 2,557m² in the town of Zakynthos; 3) 4,789m² in Zakynthos, near the Company's plant (note: the encumbered by a right of way 4 metres in width; also, legal proceedings are pending in respect of a 85m² portion thereof); 4) 3,326m² in Mytilini, at Palio Limani; 5) 12,827m² in Mytilini, near the Company's plant (note: the plot is claimed by a third party); 6) 9,061m² in Kourfaloea, Kissamos, Crete, near the Company's plant (note: legal proceedings are pending in respect of a claim for a right of way); and 7) a 26.50% share of a plot in Aliki, Kato Achaia Municipality, Achaia.

OFFERING MEMORANDUMS- FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum for each of the above mentioned groups of assets and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the respective Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 23rd October 1992, 13.00 hours to the Athens Notary Public Ioanna Gavrieli-Anagnostaki, address: 18, Fidiou str., Athens, tel: +30-1-362.51.91 or 361.97.28.
   Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, issued in accordance with the draft form of letter of guarantee contained in the respective Offering Memorandums, by a bank legally operating in Greece to be valid until the adjudication. The amounts of the letters of guarantee must be as follows: (a) for the Plant in Aigion (1st Auction): drs. sixty million (60,000,000); (b) for the Kernel olive oil plant in Zakynthos (2nd Auction): drs. thirty five million (35,000,000); (c) for the Kernel olive oil plant in Kourfaloea (3rd Auction): drs. thirty million (30,000,000); (d) for the Kernel olive oil plant in Mytilini (4th Auction): drs. ten million (10,000,000); (e) for the Kernel olive oil plant in Gythion (5th Auction): drs. five million (5,000,000); and (f) for the Remaining property of the Company (6th Auction): drs. fifteen million (15,000,000). Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorized agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 26th October 1992, at 11.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel any of the Auctions or any decision whatsoever in connection with the proceedings and the making of the Auctions. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in any of the Auctions against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skouleniou Street, 105 61 Athens, Greece, tel.: +30-1-323.14.84, fax +30-1-321.79.05 (attn: Mr Peter F. Dracopoulos) or the Liquidator's agent: Mr Spyridon Roidis, address: 23, Polyklitou Str., ATHENS 105 61, tel.: +30-1-324.05.72 or 321.88.20

Latham Crossley & Davis

The Joint Administrative Receivers
J B STEPHENSON ACA
& P S Dunn FCA

Charles White

ESTABLISHED OFFICE FURNITURE AND STATIONERY SUPPLIERS AND PRINTERS

J B Stephenson ACA and P S Dunn FCA, the Joint Administrative Receivers of Charles White & Son Limited offer for sale the business and assets of this leading Office Equipment and Stationery Suppliers and Printers.

Principal features include:

- Excellent City Fringe Location
- Extensive Freehold Property 13,800 sq ft
- Turnover Year End 31.3.92 Approx £2.5Million
- Goodwill and Customer List
- Valuable Order Book
- Substantial Stocks of Office Equipment and Stationery

For further details in the first instance please contact: J B. Stephenson at:

Latham Crossley & Davis
7 Kenrick Place, London W1H 3FF
Tel: 071 935 5566 Fax 071 935 3512

Touche Ross

Lewis's of Spondon
(In Administrative Receivership)

The Joint Administrative Receivers, Lindsay Kennedy Denney and John Wilson, offer for sale the assets and undertakings of Lewis Furnishing and Upholstery Co. (Derby) Limited which is engaged in the retail furnishing business.

- Well known family business with 30 years trading experience.
- Highest level of customer service.
- *Specialising in quality carpets, upholstery, cabinets, soft furnishings and divans.*
- Occupying five adjoining freehold units in first class retail location with ample customer parking.

For further particulars please contact Lindsay Denney, the Joint Administrative Receiver, or Chris Hornsby at the address below.

Deloitte Touche Tohmatsu International

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590979.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Wickman Machine Tools
Coventry

The Administrative Receivers of this leading manufacturer of machine tools and supplier of spare parts offer for sale the business and assets as a going concern.

The principal features are:

- Internationally renowned brand name
- Long established business with quality reputation
- Recently introduced advanced product range
- Skilled workforce
- Annual turnover in excess of £12 million
- Estimated spares turnover £2 million
- Intellectual property rights
- Quality international customer base.

For further details please contact the Joint Administrative Receivers:

Maurice Withall	Roy Welsby
Grant Thornton	Grant Thornton
Grant Thornton House	Enterprise House
Melton Street	115 Edmund Street
Euston Square	Birmingham
London NW1P 2EP	B3 2HJ.
Tel: 071 383 5100	Tel: 021 212 4000
Fax: 071 383 4715	Fax: 021 212 4014

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

M. J. BOULTON (BURSLEM) LIMITED
IN ADMINISTRATIVE RECEIVERSHIP

I. Clark Esq. and H.C. Brunt Esq., the Joint Administrative Receivers offer for sale the business and assets of M.J. Boulton (Burslem) Limited.

PRINCIPAL FEATURES INCLUDE:

- Annual turnover approximately £3m
- Leading importer and distributor of ceramic ware and floor tiles
- Well established plumbing and heating, bathroom and sanitary ware wholesaler and retailer
- Skilled local work force
- Modern freehold property in Burslem, approximately 16,000 sq ft incorporating prestigious showroom plus extensive office and warehouse facilities
- Freehold property approximately 12,500 sq ft on site area of approximately 0.6 acre with potential for residential development
- High quality customer base

For further details please contact:

Mike Hall:
KIDSONS IMPEY
Chartered Accountants
061-236 7733
Devonshire House, 36 George Street, Manchester M1 4HA

Chris Hall:
Edward Rushton
The NAME TO VALUE
021-212 4050
45 Church Street, Birmingham B3 2RT
Also at Manchester & London

ACQUISITION OPPORTUNITY IN THE HOME IMPROVEMENT SECTOR

A growing manufacturer and distributor of:
MAINTENANCE FREE BUILDING PRODUCTS (NOT UPVC WINDOWS)
Seeks discussions with interested parties.

* T/O Year ending 31/3/92 £3 mill. = 10% bottom line
* Nett assets around £250,000
* Projected (on target) turnover for current year – £5 mill.

FOR DETAILS WRITE TO:
Box A4359, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

MAIL ORDER COMPANY

Successful and long established Mail Order Business for sale or investment opportunity. Managing Director retiring.

- Over 12 years the Company has developed a niche market. T/O approaching £2m.
- Fully computerised with a loyal and capable staff. Northern based with good freehold property.
- Excellent product and customer profile with high order values.

Write for further details to: Box No. A 4381 Financial Times, 1 Southwark Bridge, London SE1 9HL

MANAGEMENT CONSULTANCY

The FT proposes to publish this survey on
October 8 1992.
It will be of particular interest to the 60,000 UK Businessmen involved in decision making for Management Consultancy, who read the weekday Financial Times - this is more than any other national daily newspaper.*
If you want to reach this important audience, call
Sara Mason
Tel. 071-873 3349
Fax. 071-873 3064

*Data source * BMRC Businessman Survey 1991*

Foster Cars Group
(In Receivership)

The business and assets of the Group's three motor dealerships are offered for sale:

	Southend	Wakefield	Rotherham
Toyota Dealership	●	●	●
Lexus Franchise	●	●	
Freehold Premises	●	●	●
Turnover £7 million P.A.	●	●	
Turnover £5.5 million P.A.			●
New and Used Car Sales	●	●	●
Light Commercial Vehicle Sales	●	●	●
Parts and Servicing	●	●	●
Bodyshop	●	●	

The transfer of the franchise agreements is subject to manufacturer consent.

For further details contact the Joint Administrative Receiver:
Andrew Conquest, Grant Thornton, Crown House, Crown Street, Ipswich IP1 3HS.
Tel: 0473 221 491 Fax: 0473 230 304

Grant Thornton

The U.K. member firm of Grant Thornton International.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Mechanical & Electrical Contractors
North East England

The Norstead group of companies has been established for 21 years with an excellent reputation for quality work.

The main subsidiary provides mechanical and electrical (M&E) services throughout the UK and the Emirates. A further subsidiary provides specialist plant and maintenance (P&M) services in the UK only.

- Annual turnover, year to 31 March 1992
  - M&E £20m
  - P&M £4m
- M&E contracts in progress (gross value c£10.5m)
- M&E Future orders/firm enquiries £12m (UK) Plus £20m overseas potential
- Prestigious freehold head office in Killingworth, Tyne and Wear. Leasehold sub-office in Slough.

For further details contact the Joint Administrative Receiver:
Ian Turner, Grant Thornton, Higham House, Higham Place, Newcastle upon Tyne, NE1 8EE.
Tel: 091 261 2631 Fax: 091 232 6903

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Hotels and Properties in London for Sale

The Joint Administrative Receivers, P R Copp and R Hocking, offer for sale as going concerns the businesses and assets of the following hotels and properties. Three of them are adjoining properties in a terrace in the heart of Knightsbridge and the other is a good standard hotel in a quiet area off the Cromwell Road. The hotels are offered individually or as a package.

THE KNIGHTSBRIDGE
- Commercial/Tourist hotel
- 20 letting bedrooms
- Breakfast/dining room
- 5 storeys plus basement
- Leasehold

THE KNIGHTSBRIDGE MANOR
- Recently refurbished to a high standard
- 23 letting rooms
- Lifts to all floors
- Gymnasium
- Large breakfast/dining room
- 5 storeys plus basement

11 BEAUFORT GARDENS
- Freehold building
- 12 dilapidated flats
- Potential for conversion to hotel
- 6 storeys plus basement

HOTEL PLAZA CONTINENTAL
- 20 letting bedrooms
- Recently refurbished
- Lift to all floors
- Breakfast room

Interested parties should contact the Receivers' sole agents:
Messrs Edward Symmons & Partners, Ref PJH, 2 Southwark Street, London Bridge, London SE1 1RQ. Tel: 071-407 8454, Fax 071-407 6423.

STOY HAYWARD
Accountants and Business Advisers A member of Horwath International
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-935 3944.

REPUBLIC OF NICARAGUA
INVITATION TO NEGOTIATE

The National Public Sector Corporations of Nicaragua (CORNAP) invites potential investors to present offers for the privatization (total or partial acquisition of assets, management contract, leasing with/without option to buy, joint venture, or any other acceptable alternative) of the

MONTELIMAR BEACH RESORT

- located on the Pacific Ocean, 65 km southwest of Managua on approx. 120 hectares (20 of which developed), with about 4 km of beachfront;
- 75 bungalows with porches (150 keys with 202 rooms);
- a colonial style building "La Casona", discotheque for 120, restaurant and casino/game room;
- beachfront bar/restaurant "El Ranchón" with small pool and shower facilities;
- conference center, 2 commercial areas (12 outlets), two tennis courts and large kitchen facilities;
- large free-form swimming pool (400 m2), gym, jacuzzi, etc.;
- 2,000 meter long private runway located at about 250 meters from the resort's main entrance;
- electric power station, water treatment plant and other ancillary civil works.

All interested parties should present their offers by December 1, 1992 in accordance with guidelines contained in the Terms for the Presentation of Bids issued by CORNAP, which can be acquired free of charge through either:

CORNAP-General Privatization Office
Attn: Lic. Eduardo Belli
Managua, Nicaragua
Tel. 505-2-31285
Fax 505-2-631193
505-2-75674

PRICE WATERHOUSE/IPG
Attn: Jorge F. Segura
Washington, D.C. USA
Tel. (202) 861-6277
Fax (202) 466-4760
(202) 467-4405

This advertisement has been approved by Price Waterhouse, a firm authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales.

GARAGE BUSINESS FOR SALE
WEST MIDLANDS AREA
A Japanese four wheel drive franchise. The dealership is modern and well established with a large customer base. Excellent parts and service business. Relatively unaffected by recession. Genuine reason for sale. Write to: Box A4508, Financial Times, One Southwark Bridge, London SE1 9HL.

RETAIL AND COMMERCIAL TRAVEL BUSINESS FOR SALE WITH IATA/ABTA/ATOL
Approx. T/O £2,000,000 pa
Sound well established and respectable company with very valuable freehold in prime high street position (West London) plus outline planning consent for additional 3500 sq.ft and additional parking.
£700,000.
(Genuine named enquirers only)
Box No. A1955, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE
Successful, established off-shore island business with several important dealerships distributing products essential to island life.
Sales £250,000. Profit 25%.
Some knowledge of chemistry or pharmacy would assist.
Well priced at £100,000. Write to:
Leawood Laboratories, Leawood Hall, Holloway, Matlock, Derby DE4 5AQ. Or Fax 0629 534843

FOR SALE
PRIVATE FAMILY COMPANY.
£5 MILLION ANNUAL TURNOVER IN LANDFILL SITES, WASTE DISPOSAL, AGGREGATES AND TIPPER HIRE.
SOUTH COAST LOCATION.
Write Box A4409, Financial Times, One Southwark Bridge, London SE1 9HL.

Green Park Health Care plc Green Park Health Care Services Ltd and Manora Ltd
(all in Administrative Receivership)
Upon the instructions of the Joint Administrative Receivers, P J Beirne & S S James, of KPMG Peat Marwick. Christie & Co offer for sale:-

- Bailgate Residential Home Lincoln
- Foxby Hill Nursing Home, Gainsborough
- Ingles Court Nursing Home, Folkestone
- Tilford Park Nursing Home, Tilford
- Cathedral Nursing Home, Lincoln
- Broadstairs Nursing Home, Broadstairs
- Lakeside Nursing Home, Ashford
- Lakeside Retirement Village, Ashford
- Two Acres Nursing Home, Taverham

These substantial trading units are available for purchase either individually, in groups or as a portfolio.


Lakeside Nursing Home


Two Acres Nursing Home


Tilford Park Nursing Home

For further information contact:

KPMG Peat Marwick Patrick Ryan London Office - 071 486 4231 Ann Mitchell Leeds Office - 0532 459667 CHRISTIE & Co CORPORATE DIVISION

GREEK EXPORTS S.A
INVITATION

For expressions on interest in buying the assets of PORCEL Mineral Ores, Commercial, Industrial & Shipping S.A.

Within the framework of the government's privatisation policy and on the basis of Law 2000/1991, GREEK EXPORTS S.A., a subsidiary of the *HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA S.A.)* has been appointed liquidator by Court of Appeal Order 8291/9.9.1992 and intends to sell, with the procedure described in article 16a of Law 1892/1992 as supplemented by article 14 of Law 2000/1991, to private individuals, the entire assets of PORCEL S.A. which is 99.9% owned by ETBA S.A., the remaining percentage being owned by a private person.

PORCEL S.A. was founded in 1985 and is engaged in the exploitation of potash feldspars, sodium feldspars, mixed feldspars and quartz. It is the only producer of feldspar in Greece which is used as raw material for the manufacture of porcelain, glass containers, decorative tiles and other ceramic products.

The factory is situated at Paranesti, Drama, uses modern technology and covers a total area of 1,971 m² and a total volume of 8,526.20 m³. It has been built on a self-owned plot of 12,440m².

PORCEL S.A. has mineral rights in various parts of Macedonia and Thrace totalling more than 87,500 acres.

FINANCIAL DATA (in million drs.)

	1988	1989	1990	1991
Total Assets	1,031	1,137	942	805
Total Sales	39	97	54	29

Note: The above figures derive from published balance sheets

PRIVATISATION PROCEDURE

I. Within twenty calendar days from publication of the present invitation, interested buyers must submit a binding, written declaration of interest.

II. Prospective buyers, after giving a written promise of confidentiality, can obtain an Offering Memorandum and have access to other information concerning the company for sale.

III. The announcement of the public tender for the highest bidder will be published within the prescribed time limits and in the same newspapers.

IV. *For any additional information please call the following telephone numbers:* +30-1-929.4395, 929.4396 and +30-1-324.3111 to 324.3115.

Brassey's

An opportunity exists to acquire a leading world specialist in the publication of books and journals on:

- Defence, Military Affairs, Military Technology and related matters;
- Military History and Biography;
- International Relations;
- European Community Affairs.

The publications include Brassey's Yearbook, The Military Balance for The International Institute for Strategic Studies, the British Defence Directory, the Land, Air and Sea Warfare Technology Series and The Annual Review of European Community Affairs.

All enquiries to: Jonathan Phillips, Joint Administrator of Maxwell Communication Corporation plc, Price Waterhouse, No.1 London Bridge, London SE1 9QL. Tel: 071 939 5657. Fax: 071 939 5566.

Price Waterhouse of No.1 London Bridge, London SE1 9QL is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Price Waterhouse

FOOTBALL LEAGUE CLUB

Well-established member of Barclays League with *freehold stadium.*
Existing Board of Directors/Shareholders welcome enquiries from person or persons interested in acquiring either total control or a majority shareholding.
Write in confidence to Box A4502, Financial Times, One Southwark Bridge, London SE1 9HL

WILLIAM HILLARY

M40/MIDLANDS
PROFITABLE PAY-AND-PLAY
18-HOLE GOLF COURSE
FOR SALE - FREEHOLD
68,000 ROUNDS - 1991

Details from:
WILLIAM HILLARY & COMPANY, 47 HIGH STREET, SALISBURY SP1 2QP
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

BUYING OR SELLING?
benefit from
A VALUATION WORKSHOP
presented by Barrie Pearson - 5 November & 24 November, in London - 11.30am - 3.00pm - £30, plus VAT.
Phone Leila Bux on 071 388 4242 to reserve a place or to obtain more information.

Acre House, 11-15 William Road, London NW1 3ER
LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of PERBIA

METAL FABRICATED CONSUMER DURABLES

Company manufactures a unique range of branded, metal fabricated consumer products sold via multiple retailers, mail order & export. Modern, well equipped factory (could easily relocate). International marketing deal in place for Award winning product, will produce T/O of £2m. Gross £600k. Company would benefit from additional management & financial resources of larger organisation. Genuine opportunity. Write to Box A4512, Financial Times, One Southwark Bridge, London SE1 9HL.

CONTRACT COMPUTER PERSONNEL AGENCY

Impeccable track record. £12+ million Sales and circa £1 million pre-tax profit. Realistic price wanted or merger proposition considered, preferably with quoted company. Write Box A4410, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
STOCK BROKERAGE CO. - U.S.A.
PHONE U.S.A. (816) 842-3010
FAX U.S.A. (816) 842-3064
BANKERS & INVESTORS CO.

SALE OPPORTUNITY
This profitable company search and formation Firm, est 1976, T/O c £90k, is now for sale. The Firm has many blue chip Companies and would ideally suit another services company.
Please contact Chris Fielder on:
081 547 3509 day;
081 541 5231 night

ENGINEERING BUSINESS FOR SALE
Two small precision engineering businesses, specialising in sub-contract machining, for sale either separately or as a whole. Turnover £2.1m and £1m High Quality production to BS5750 standard.
For further details contact Box A4416 Financial Times, One Southwark Bridge, London SE1 9HL.

BEST C.G.T. ROLL OVER RELIEF
Guaranteed Returns
Full Management Services
WHITE KNIGHT MARKETING 0626 776988

U.S.A. BUSINESSES For Sale Various fields in all parts of the USA Free details. Contact: REALCO PO Box 520217 Longwood, Florida 32752 USA Tel: (407) 787-4125 (24 hrs). Fax: (407) 330-1996

LAKEY + CO. Company sales. All types of businesses wanted nationwide. To sell professionally Call 0984 273371.

CONTRACTS & TENDERS

CALL FOR PRE-QUALIFICATION
THE BUDAPEST WATER AUTHORITIES ARE LAUNCHING AN INTERNATIONAL CALL TO PRE-QUALIFY CONTRACTORS FOR THE CONSTRUCTION OF A WATER TREATMENT PLANT AT CSEPEL, BUDAPEST, HUNGARY (CAPACITY 150,000 M3/D)

The object of the Tender will be the turn-key construction of a water treatment plant with a treated water capacity of 150 000 m3/d.

The plant will be located on the CSEPEL island, south of Budapest, near the existing water supply facilities. Treated water qualities must comply with Hungarian and European Economic Community norms and be in conformity with the requirements of the Tender.

The start-up of the water treatment plant is scheduled for May 1996.

Prior to issuing the Tender for the works, the Budapest Water Authorities are entering into a pre-qualification stage in order to select eligible contractors, having among others, the following capabilities:

- ability to undertake a project of this size, including an operation stage,
- adequate technical, financial and human resources,
- necessary guarantees for the satisfactory completion of the works in due time
- ability to propose, if necessary, a financing scheme for the project.

Selected contractors will be informed by letter, not later than November 23, 1992 and invited to bid for the international Call for Tender.

The pre-qualification documents are available in Hungarian and in English, at the following address as of September 30, 1992, against the deposit of $300 US or 25 000 HUF, on the Budapest Water Authorities' account No. BBRT 209-17922 at Budapest Bank R.T., H-1052-Budapest, Deák Ferenc U.5, Hungary:

Fovarosi Vizmuvek
Vaci ut 23-27
H-1131 Budapest XIII
Telephone (36 1) 1409978
Fax (36 1) 1209649
Mr. Imre SZILAGYI, room 410

The Submissions for prequalification, written in Hungarian and English, should be received at the address above latest October 30, 1992 at 1200 noon.

هكذا من الأصل

Old tyres take on a new life

The global mountain of several billion old tyres represents a tempting store of materials and energy – and several ambitious projects are under way in the US and Europe to recycle used tyres and/or burn them in power plants.

A machine for recycling tyres on a smaller scale is the Multi-Purpose Disposer (MPD), launched this month by AEA-Beven, a joint venture between AEA Technology of Harwell and Herbert Beven, a UK engineering company.

Each MPD, which will cost about £250,000, can consume 100,000 tyres per year by pyrolysis. It heats them to a high temperature (above 1,000 deg C) in the absence of oxygen. This breaks the tyres down chemically into four by-products:

- Fuel gas can be used to heat the MPD itself or burned off-line in a furnace or boiler.
- Fuel oil, similar to diesel, can also be burned in the plant or elsewhere.
- Carbon or "char" has a range of applications, including absorption of organic chemicals from industrial effluent.
- Steel is clean scrap for reprocessing.

The first MPD has been sold to North American Tyre Recycling, which has an exclusive licensing agreement to market and manufacture the system in the US and Canada. The company expects to sell 90 units over the next five years in North America, where the stockpile of discarded tyres is estimated at about 3bn.

The demand is expected to come from tyre remoulders, waste management companies and local authorities faced with large numbers of tyres clogging up their landfill sites.

Ray Allen, head of AEA environmental engineering department, says there is no competing technology for disposing cleanly of tyres on a small, local scale.

The MPD makes it possible to process waste tyres where they arise – avoiding the need for costly and environmentally damaging transportation to a large central site.

And AEA says the machine emits less pollution (nitrogen oxides and sulphur dioxide) than conventional large incinerators.

Clive Cookson

The pharmaceutical industry is turning to nature as a source of new drugs, writes **Marjorie Shaffer**

Going back to basics

The world's pharmaceutical companies are conducting a romance with mother nature. Lured by the novel compounds that only nature can concoct, established giants such as SmithKline Beecham, Merck and Glaxo, and a host of small start-ups are scouring the world's forests for the next blockbuster medicine.

Although drug discovery is always risky, many scientists believe there is a good chance of finding interesting medicinal compounds in nature, especially in the species-rich tropical rain forests.

Plants and other forms of life have historically been an important source of medicines. Morphine is derived from opium, for example, and penicillin is a fungal metabolite. Moreover, there are some 250,000 species of flowering plants in the world, and only 1,100 of them have been investigated thoroughly for their medicinal properties.

"You don't have to be a rocket scientist to figure out that you may find something in the remaining 99.5 per cent," said Michael Balick, director of the Institute of Economic Botany at the New York Botanical Garden.

The field was given an enormous boost by taxol, a promising anticancer compound derived from the bark of the Pacific yew tree, a conifer found in the remaining virgin forests of the US's Pacific Northwest. Taxol is now being tested against ovarian and breast cancers.

The US National Cancer Institute first discovered taxol in the 1960s but saw its natural products program languish in the 1980s. The institute is now screening thousands of plants, marine creatures and micro-organisms for activity against human cancers.

Searching the world's plants for drugs became *passé* among researchers in the last two decades as the molecular and computer-driven route to drug synthesis eclipsed any other method of discovering medicines. Today, armed with new techniques borrowed from biotechnology, companies can screen thousands of chemical extracts from plants for activity against human cancers and other diseases in a very short period.

"There is obviously a lot of renewed interest in this area," said Randall Johnson, director of biomolecular discovery at SmithKline Beecham's US headquarters in Philadelphia. "Every month interesting compounds from nature are emerging from these new mechanism-based screens, and nature is proving to be a very rich source of compounds that can combat human disease," he said.

In Europe, a product from the ginko tree, one of the oldest living trees, called ginkolyte, is used extensively to promote blood flow. James McChesney, director of the Research Institute for Pharmaceutical Sciences at the University of Mississippi estimates the compound generates as much as $300m a year in sales in Europe.

SmithKline Beecham is now clinically testing a plant-derived drug called topotecan as a treatment for ovarian cancer. The drug is an analog of campotothecin, a compound extracted from trees in China and India.

Campotothecin was originally discovered by the National Cancer Institute in the easy 1960s, but proved too toxic in cancer patients and was dropped from the NCI's programme. SmithKline resurrected it a number of years later, creating a water-soluble analog that was less toxic, said Johnson.

Glaxo too has an interest in campotothecin. The company is studying analogs of the compound and it is searching for new plant medicines as part of a research consortium with the University of Illinois in Chicago, one of the leading academic centres involved in medicinal plants. "We are not looking so much at medicines from plants *per se*, but substances that can be improved, modified and refined for a safe and effective drug," said Rick Sluder, a Glaxo spokesman.

Another promising product is artemisinin, an antimalarial drug originally derived from a plant found in China and south-east Asia, according to McChesney. "The excitement is that the compound is effective for drug-resistant malaria and is practically a miraculous drug for cerebral malaria, a serious form of the disease," he said.

So far, there are no obstacles to obtaining large quantities of the plant. Artemesia annua, from which the compound is derived, is a "worldwide naturalised weed," said McChesney. "You could probably find it growing in a vacant lot in New York City," he said.

The controversy surrounding taxol has underscored the issue of supply. Conservationists are worried that in the rush to extract taxol from the bark of the Pacific yew tree, remaining stands of the tree will be obliterated. However, McChesney said researchers have now found that taxol can be extracted from the yew's needles, rather than its bark.

Amid the resurgence of interest in plant medicines, many small start-up companies have emerged with novel approaches to drug discovery. Shaman Pharmaceuticals, based in San Carlos, California, for example, is exploring traditional plant-derived medicines already used by native tribes and communities. "By using traditional knowledge there is greater likelihood of yielding an active compound or a pharmaceutical," said Lisa Conte, Shaman's president.

Shaman is the traditional name for "medicine man". Founded in 1989, the company already has two drugs in clinical trials. One is an anti-viral drug against respiratory infections; the second is a broad-spectrum antifungal agent derived from a plant used by native tribes in North America and Africa for the treatment of infections.

Conte claimed that by using traditional medicines, Shaman's "hit rate" – the number of times screening finds a compound with activity against a certain target – is "one in two extracts versus the mass screening process in large pharmaceutical companies which is one in thousands". Shaman has policies for compensating countries where its drugs are found. "We are creating an economic alternative to rain forest destruction," said Conte.

"If they can make a living by collecting our products, it gives them an incentive for leaving the forests intact." Compensating a country where a drug is discovered is a controversial idea in the pharmaceutical industry. But Balick of the New York Botanical Garden said that drug companies are now much more receptive to the notion.

Last year, for example, Merck signed an innovative agreement with Costa Rica's National Institute of Biodiversity that could be one model for how the industry could negotiate agreements that would direct money back into source countries. Under the agreement, Merck paid the institute $51m for the right to analyse indigenous plants and animals for possible medicines or other products.

Technically Speaking

Apple's Newton slow to ripen

By Louise Kehoe

AS A veteran Apple Computer watcher, one learns to tolerate hyperbole. Apple is a company whose vision has frequently overreached its ability to execute.

Newton, the "personal digital assistant" that Apple previewed in May, now appears to be the latest example of this failing.

Apple is "less and less convinced there is a market for these things in the near term in the consumer market", John Sculley, Apple chairman and chief executive, is reported to have told an industry conference in California last week.

But wasn't Newton supposed to usher in a new category of products that "use digital technology to bridge the gap between personal computers and consumer electronics", to quote Apple press releases?

Apple officials cannot verify exactly what Sculley said last week, but attendees at the conference say that he backpeddled on earlier extravagant claims.

Sculley stressed the business applications of Newton – a hand-held electronic notepad. Listeners came away with the impression that Newton will be too expensive and limited in function to have a broader mass-market appeal.

Newton will initially sell to "individuals who will use it primarily in connection with their business", Apple officials explain. Sculley was merely attempting to balance perceptions that Newton will be a consumer product by describing its potential uses in business, they say.

The computer might, for example, replace weighty maintenance manuals for complex machinery, or a doctor might use it to file patient notes. "Our perception of the market for Newton has not changed," Ken Wert, marketing manager of the Apple PIE division, insists.

There has been some confusion, Apple concedes. Indeed so. Last January the company trumpeted its plans to launch a new category of "digital consumer products" at the Consumer Electronics Show in Las Vegas, a gathering of manufacturers and retailers.

In May, Apple followed up with a glimpse of Newton, its first-generation "personal digital assistant" technology. Speaking again at the Consumer Electronics Show, this time in Chicago, Sculley hailed the announcement as "the birth of a mega-industry".

Not unreasonably, many concluded that Apple would target and price Newton as a mass-market consumer product, although competitors in the hand-held computer market were sceptical even then.

Rather than "defining a new product category", it is now clear that the first Newton will be an electronic alternative to the pocket diary or personal organiser that many busy business people use. As such it must compete with established products such as Hewlett-Packard's 95LX hand-held computer.

This is by no means the first time that Apple has whipped up excitement by promising to "define a new market". Almost a decade ago Apple executives made that same claim prior to the introduction of Lisa, an innovative personal computer that incorporated one of the first "graphical user interfaces".

Lisa was a flop – too expensive for most of the computer enthusiasts who appreciated its features and too different from the IBM personal computer that was rapidly gaining ground in the corporate PC market.

Eventually, Apple's Macintosh personal computer, which owed much to the original Lisa, did redefine personal computing and secure Apple's future.

Now Newton is beginning to look like a 1990s version of Lisa – a product that will be much admired by the computer *cognoscenti*, yet too expensive for most potential buyers.

Defining new markets is a slow and expensive process. Apple, more than most companies, should know that.

Newton is the first step, but it may be the first of many before Apple can achieve its dream of delivering computer power to the masses.

Commission discretion over competition priorities

EUROPEAN LAW

The European Court of First Instance (CFI) has ruled that the European Commission has a discretion not to investigate complaints under the EC competition rules.

In a judgment with implications for future competition law enforcement, the CFI said the Commission had the right to exercise such a discretion, particularly when it felt it was in the Community's best interests not to take any action.

The decision arose out of a case brought by Automec, an Italian car dealer, which had complained to the Commission about its exclusion from the BMW dealership in Treviso.

Automec had also taken action against BMW in the Italian courts, alleging infringement of EC competition rules when BMW terminated its distributorship after 24 years.

The Commission rejected Automec's complaint on two main grounds. First, the Commission said it was powerless to order BMW to supply cars or to permit use of its trade mark, when the only allegation of infringements of the competition laws concerned restrictive agreements and not abuse of a dominant position.

Second, the Commission claimed it was not obliged to issue a decision on alleged infringements of the EC competition rules.

It said it was only required to decide whether to investigate or reject a complaint. If it considered a complaint did not itself contain sufficient matters of fact or law to indicate an infringement, which it was within the Commission's powers to terminate, the Commission had a discretion whether or not to investigate the complaint further.

The Commission, as an administrative body, had to select priority areas for action in the interests of administrative economy, it said.

The issues raised by Automec were already before the Italian courts which had concurrent jurisdiction to apply the relevant competition rules. No question arose of individual exemption, which was the only area of exclusive Commission competence.

The CFI dismissed Automec's appeal. The court, drawing together aspects of previous caselaw, approved the Commission's position that it can decide not to investigate a complaint where it considers its resources better employed elsewhere in the Community interest.

While the Commission is still obliged to examine every competition complaint, it now has the Court's authority to decline to investigate complaints which do not in themselves contain sufficient evidence of an infringement.

Case T-24/90, Automec v Commission, CFI, FC, September 18 1992.

Commission failure to act on competition complaint

The CFI has condemned the European Commission for failing to take a position on a complaint under the EC competition rules within time limits set down by the Treaty of Rome.

The complaint was brought by French car dealers against five Japanese car importers and the French government. The allegation was that their imports from other member countries were restricted by French government arrangements with the French Toyota, Mazda, Honda, Mitsubishi and Richard Nissan importers.

The car dealers claimed the five Japanese importers undertook to limit French sales to 3 per cent of annual car registrations, excluding competing distributors of Japanese makes. In exchange, the French government imposed discriminatory restrictions on competing Japanese imports.

The dealers called for action by the Commission under the Treaty of Rome's rules. But when the Commission failed to define its position within the two-month time limit, they brought an action against the Commission in the CFI.

The Court rejected the Commission's claim that the action was inadmissible. However, it said that there was no need to rule on the substance of the application because the Commission had later defined its position and eventually issued a decision rejecting the complaint – a decision which is also under appeal *(Case T-7/92)*.

The Court rejected the complainants' other actions for annulment and damages.

This case is important in confirming previous caselaw on actions for failure to act. It also makes it clear that subsequent definition of its position by the Commission outside Treaty of Rome time limits may not make a failure to act action before the Court inadmissible.

Case T-28, Asian Motor France and others v Commission, CFI FC, September 18 1992.

No review of favourable competition decision

The Dutch banking industry has failed to overturn a favourable Commission decision declaring that certain transfer charge arrangements were permitted under EC competition rules.

The banks, represented by the Dutch federation, challenged the reasoning of the Commission's decision in so far as it found their agreement restricted competition within the common market.

The reason for the Commission's clearance of the agreement was that it found no significant effect on trade between EC member countries.

The CFI ruled the judicial review action inadmissible because the operative part of the Commission's decision had not been challenged.

Only acts capable of affecting defined legal positions are susceptible to review. It is only the operative part, not the reasoning, of a Commission decision that can produce such legal effects. Moreover, the Court may review only the legality of the Commission's reasons which support the operative part of the decision.

In this case, the finding that the agreements restricted competition was manifestly not a reason relied on for the decision granting negative clearance.

Case T-138/89, Nederlandse Bankiersvereniging v Commission, CFI 2CH, September 17 1992.

Free movement rules not applicable in purely domestic context

The European Court of Justice has confirmed that Treaty of Rome rules on free movement do not cover activities limited to the territory of a single member country. The Court said that was a matter for national courts.

Case C-153/91, Camille Petit v Office National des Pensions, ECJ 5CH, September 22 1992.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

100 Group's new chairman

Michael Lawrence, group finance director of Prudential, is to become the new chairman of the 100 Group in November.

*The 100 Group is the influen*tial body which counts most of the finance directors of the FT-SE 100 companies among its members, along with a number of counterparts from leading private companies. Lawrence takes over the chair from Hugh Collum, the finance director of SmithKline Beecham, when his two-year period of office comes to an end.

Lawrence has been a member of the executive and technical committees of the Group. Although asked recently to take over the chairmanship, he says he has no idea how he was selected. "It was quite a surprise and rather flattering."

"Financial service companies are a minority on the 100 Group and may be perceived as not sharing the same values," he says.

Nonetheless, he says he has plans to advance the work of the organisation in a number of different areas. These include the continued campaign for a change in the legislation on advance corporation tax; and to make submissions to both the Cadbury committee on the financial aspects of corporate governance and the Goode committee on pension reform.

He also hopes to increase representation with the European Commission, especially over the wide variations in international accounting requirements across the EC.

Andrew Thomas (right), managing director since 1980 of The Greenalls Group, the pub retailer and hotelier, has been appointed chairman and chief executive on the retirement of Christopher Hatton after 22 years as chairman.

Peter Greenall (left) becomes managing director. Roger Young and John Bright join the board as directors responsible for, respectively, the group's retail managed pubs and tenanted pubs.

Hatton will remain on the board as a non-executive director.

Finance moves

■ Robert Plumb has been promoted to md and Stephen Tracey operations director of AVCO TRUST.

■ Jeremy Bottle, company secretary of Capital & Counties, has also been appointed company secretary of TransAtlantic Holdings, following the merger of the two companies.

■ Rob Cairns, deputy chief executive of the CUMBERLAND BUILDING SOCIETY, has been appointed to the main board.

■ David Miller, formerly deputy chairman of Robert Fleming Securities, has been appointed md of STATE STREET GLOBAL ADVISORS UK, the investment management subsidiary of State Street Boston Corp.

■ Ian McEwen and Sasha Serafimovski, European banking analysts at Robert Fleming and Morgan Stanley, respectively, have moved to MERRILL LYNCH.

■ Jan Loeber, formerly md and ceo of Unitel, has been appointed md telecommunications (Europe) of BANKERS TRUST, in London.

■ Michael Pattinson, principal manager for LLOYDS BANK corporate banking division for Belgium has added the Netherlands to his responsibilities; he replaces Frans Van Zinnicq Bergmann.

■ Alan Powell has been appointed general manager of BANQUE NATIONALE DE PARIS plc.

■ Charles Novotny, 54, has *been appointed chief executive* of Tarmac's quarry products division. Novotny has been with the company for 18 years and was previously the division's assistant chief executive; he replaces Jack Mawdsley, who has already announced that he is leaving at the end of the year to pursue personal interests.

■ David Holden has been appointed finance director and company secretary of MARSHALLS following the retirement of George Taylor.

■ Gordon McKie, formerly *general manager of John* Menzies' financial services division, has been appointed finance director and company secretary of BRITISH THORNTON HOLDINGS.

■ Philip Gothard, group financial controller, has also been appointed company secretary of JAMES WILKES.

Gwyn Howells (m)eets the MLC

Gwyn Howells, marketing director of Reebok UK, who helped make Reebok the best-selling sports shoe in Britain during his spell with the company, is joining the Meat and Livestock Commission in the same capacity. His is the first senior external appointment made by Colin Mclean, who took over as director general at the beginning of September.

Howells' arrival signals an increased concentration on sophisticated selling on the *part of the MLC, which pro*motes the red meat industry with an annual budget of around £50m. The (M)eat to Live campaign has a similar feel to the award-winning White Line TV ads for which Howells was responsible at Reebok last year, according to an MLC spokesman. "We are pleased to have recruited a high-profile person from an upbeat company," he adds.

The previous marketing director, Garry Dobbin, died earlier this year.

"The food industry, and meat in particular, has taken a series of knocks to its image in the past few years," the MLC goes on. "While we have had a stable market in terms of meat consumption over the past twenty years, we cannot afford to be complacent."

Howells, 43, says he had achieved what he set out to do at Reebok, establishing it as the market leader in Britain, in terms of volume and value, 18 months ago. He sees the challenge at MLC as similar, in that it involves "staying in tune with consumers' lifestyles".

Op Art thirty years on

William Packer hails Bridget Riley's latest work

Bridget Riley woke up one morning, nearly 30 years ago, to find herself famous. There she was, the leading exponent of what we still call "hard-edge" painting or "post-painterly abstraction", which, by its insistent linear and rhythmical repetition teased the retina into an active, even neurotic response. But we are all too easily made the prisoners of our labels, and *Op Art*, travestied to banality in the 1960s, has dogged Miss Rileys's reputation ever since.

The point, however, is not that she is not an *op* artist, in the sense that she is still centrally concerned in her work with the retinal *frisson* that may stimulated by close and particular combinations of tone and colour, but only that *Op Art* itself still stands in its 1960s character, the trivial, dated, ephemeral concern of an art-historical moment. That moment passed, but she went on working, slowly and consistently over the years, developing and extending her formal ideas and the scope of their expression.

She exhibited regularly through the 1970s and '80s with the Rowan Gallery, now sadly closed, that gave notable support to current British abstraction through difficult times. But the last gallery show was five years ago, and of group show or major tours she had little more from the 1980s than a handful of retrospective and study exercises. As she moved into her own 60s, Miss Riley found herself in the position, unusual for her but common enough, of having a substantial body of recent work that few had seen.

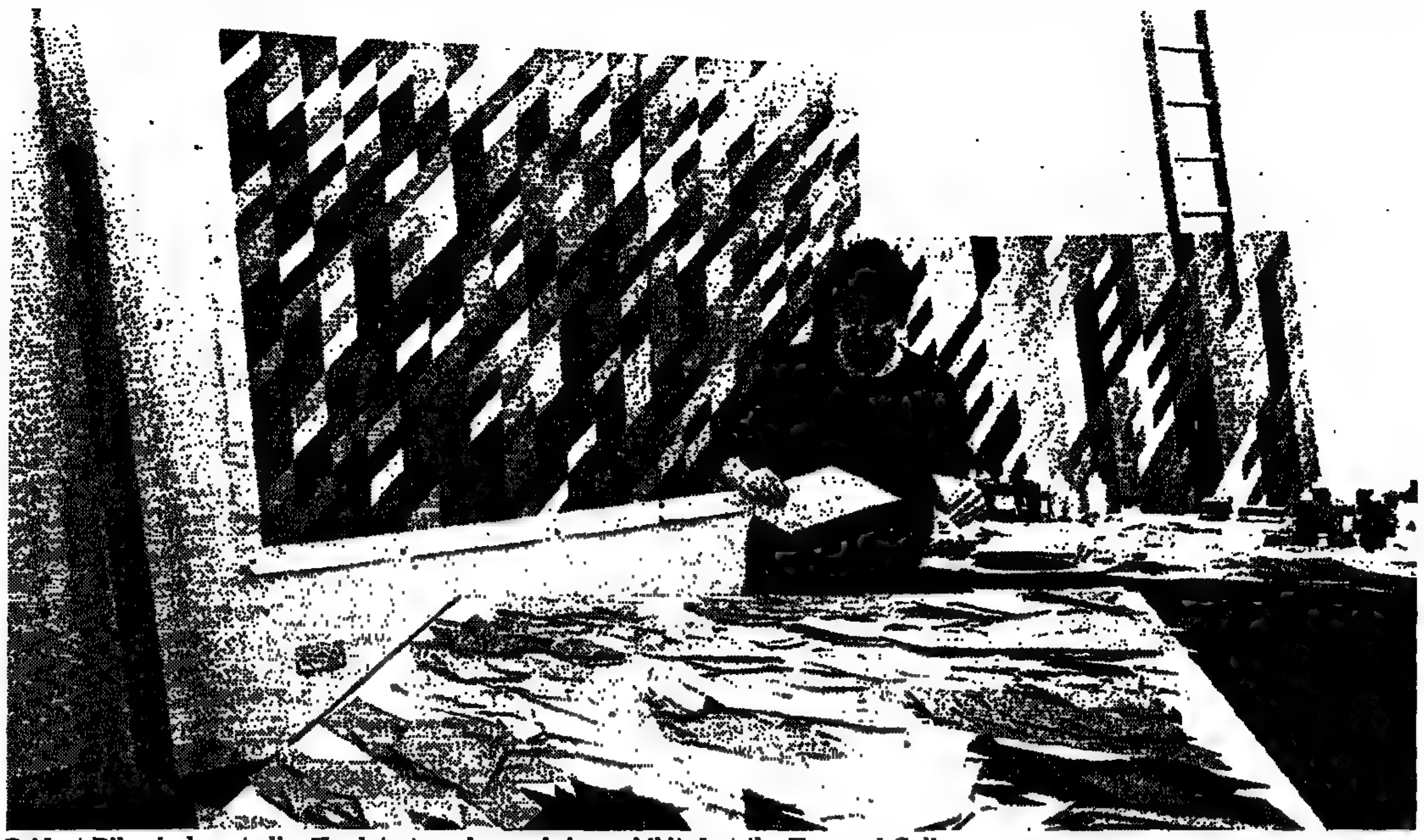
This exhibition, which comes to the Hayward from Germany, where it was shown at Nurnberg and Bottrop, is therefore both timely and useful. In all we have heard, these 10 years past, of conceptualism, post-modernism and the revival of figuration, the tacit assumption has been that abstraction, if not yet dead exactly, was become academic and irrelevant. It was not so, and will never be true so long as serious artists stick seriously to what they believe they should do.

This survey of the work of the past 10 years marks the transition from the simple abutment of narrow vertical stripes across the canvas, to an imagery more obviously active and complex. The vertical stripes remain, but broader now, and no longer of a single colour but disrupted by a system of diagonal multi-coloured stripes. It is in the nature of the diagonal to inform the composition with a sense of speed and movement, counter and complement to the essential stability of the vertical. The device which here fuses the two elements together is the simple modular parallelogram, set in an infinite number of combinations, actual or implied.

To put it so baldly is perhaps to make it sound little more than an arid technical exercise or trick, but the reality is so much more than that. The viewer is drawn in to a complexity of visual choice, contradiction and reconsideration – now see it this way, now that. For, flat as these paintings are, their essential subjects are space and light, and the play of the one to inform the other.

Should we choose to see them so, the vertical columns move forward optically a little, or back as the case may be, in relation to each other and the shafts of light stream through the shallow space between them, as through the trees of a forest or the pillars of a church. Or again we might choose the diagonal emphasis, and the space opens out as in a schematic, isometric perspective, seen from above, tilting towards us. It is no landscape in any direct sense at all, and yet the forms begin to move before and behind each other, and the eye is drawn in to an ever shifting yet coherent space.

And over all there is the colour, moving across the canvas in its several elements like clouds or shadows, the emphasis given now to the more aery colours, the blues and greens, now to the weightier, denser pinks, browns, blacks. From such differences each composition gains its character, yet a character not of obvious and direct disposition, one mass of colour here, another there, but rather of mutual infiltration, balance and adjustment. As in music, tone, pitch, chromatic variation, the weight and presence of the piece overall, are a matter of single notes.



Bridget Riley in her studio. Her latest works are being exhibited at the Hayward Gallery

Admirable and beautiful as this exhibition is, especially so in the more natural light of the Hayward's upper floor, I have one practical criticism to make, and one suggestion to offer the visitor. For all the apparent and disarming simplicity of imagery, these are dense and complex works which work slowly on the eye and mind, and reveal their true qualities and mysteries only after particular and close attention. As it is presented here, it requires of the visitor more time perhaps than it is reasonable to expect. Culled by about a quarter, or a third perhaps, it would be no less comprehensive and impressive a demonstration, and certainly less daunting a commitment.

The pairing of this exhibition with *The Art of Mexico* downstairs is not at all so arbitrary and unsympathetic as one might think, but each requires so different an order of concentration and attention that a considerable mental adjustment is needed between the two, to do either exhibition justice. The shift is from the figurative, symbolic and anecdotal to the purely visual and abstract. It is usually a good idea to move from the general to the particular, and so, should both shows be the object of a single visit, my advice would be to see the Bridget Riley first.

Bridget Riley: Paintings 1982-92; the Hayward Gallery, London until December 6, then to the Ikon Gallery, Birmingham.

Opera

'Louise' in Geneva

Has Louise, the teenage dressmaker from Montmartre who defies her parents to follow her lover into in the Paris of 1900s, lost the power of pulling-in the public? I never thought, in the well-behaved Grand Théâtre at Geneva, of all places, to see so many people fail to return after the interval or steal quickly out during the performance. Stranger still many of them were of the age one would expect to enjoy this well-tried, tear-jerker, offering operatic slumming on a luxurious scale. Have the attitudes of Louise's parents and their daughter's once scandalous reactions become incredible – has the pendulum swing to the other extreme and stuck there?

It can hardly have been the staging and performance which with a few reservations were on the serious, intelligent level one expects in this theatre. Gustave Charpentier's "musical novel" has shown a surprising capacity to split opinions through succeeding generations. But, though I remember seeing the late Peter Heyworth white with barely suppressed rage during the ENO production some years back, such a general show of thumbs-down, as one saw the other evening in Geneva came as a shock.

Christian Aeby's production is set in a striking décor by a young French designer new to opera, Elsa Pavanel. A three-sided metal gallery is suspended behind and above the low, brown walls enclosing the parents' depressing apartment. Louise's writer friend Julien has a vantage point from which his serenades can be seen as well as heard. In the scene on the Butte a central staircase leads up to the platform. On it, half-way to heaven against a starry background, Louise sings "Depuis le jour" and her passional duet with Julien. The revellers, bringing lanterns, flags and streamers in bright primary colours, swarm over gallery and stairs for the crowning of Louise as their Muse. The effect, though it might as well be Peking as Paris, adroitly freshens a potentially embarrassing episode. Down the staircase, a few minutes later, advances the accusing figure of the mother.

At the end of the opera, when Louise runs away for the second time, the apartment walls vanish, carnival figures dance in silhouette on one platform and there is a glimpse of Julien already chasing another bit of skirt. The last (silent) word is mimed by the insufferable Noctambulist who has flitted on and off during the previous act. Charpentier, his own librettist, chose a simpler, less melodramatic, more pathetic ending.

Mary Mills, Jean-Philippe Courtis and Maureen Forrester

The American soprano Mary Mills was making her European debut as Louise. A pretty, pouting, puppy-face with a promising voice of considerable power when required, Miss Mills has still to learn how to project the short, conversational phrases which for this role are just as important as the long lines. The producer wisely refrained from making Julien anything more than a cheerful proletarian playboy. Gregory Kunde dealt ringingly with his opening solo and with the duet. Unfortunately, having some of the best music doesn't make Julien a believable person.

Jean-Philippe Courtis is really too distinguished in manner for the father, but he is a fine, cultivated singer. His physical portrayal of the man's illness in the last scene was exaggerated. The mother was Maureen Forrester, a senior artist of great experience who coloured her phrases with subtle indications of the woman's dreary past and future, and her bitter jealousy not only of Louise's chance of happiness but of her husband's slightly ambiguous love for the girl.

The excellent chorus singing almost made up for the under-singing, under-playing and under-lighting of the minor roles in the tedious scene of the dawn street-cries. Near-inaudibility here was not the fault of the conductor, Armin Jourdan, who drew velvety but discreetly balanced playing from the Suisse Romande Orchestra – one can see why Mahler enjoyed conducting this score. Jordan enjoyed himself so much that the pace he became soporific at those sticky moments when Charpentier shows that, whatever else he learned from his teacher Massenet, it wasn't knowing when to move the drama on.

Ronald Crichton

Concerts/**Max Loppert**

Babi Yar & Búsqueda

Steve Martland and James MacMillan (both b. 1959) are two of the most prominent and assertive young voices of British music. On two successive evenings, last weekend, each was the figurehead composer to launch two important and exciting new musical initiatives at the Festival Hall. Such juxtapositions, no doubt coincidental, encourage the making of too-easy critical comparisons, convenient but unnatural linkages; nevertheless, there *are* similarities in the use of these two compositional voices which seem both elating and disturbing.

Both insist on the social dimension of their music, on its popular-culture roots, on their abhorrence of the ivory-tower composer remote from "real life". These two London premieres made all those points. Martland's *Babi Yar*, given on Sunday by the BBC Symphony under Andrew Davis (and also broadcast on Radio 3), was first heard – amid strong controversy – in Liverpool in 1985. It is a 35-minute assault on polite audience sensibilities, by a composer whose *enragé* image is carefully cultivated (by, for instance, his appearance on the Festival Hall platform in braces and bovver-boots), and whose stated belief is that "one of the functions of art is confronting reality. Maybe that's why this music is often so aggressive – and loud!"

Indeed. The idiom builds hard-piled sonorities (including synthesizer and vast batteries of brass and percussion) into chordal battering-rams. After a long-sustained start their attack proves increasingly violent, as their pounding impact is developed into a kind of machine-process that grinds on unrelentingly. (Although the orchestra is divided into three ensembles, the effect for much of the way is essentially of unison.) Eventually, the machine winds down, and in its aftermath four horn players – who take up stations ever further from the orchestral platform – regularly sound out fanfares possessed of an "individual-voice" (though hardly lyrical) character.

Babi Yar, Martland's first (and so far only) composition for large orchestra, has no artistic relationship with either the famous Yevtushenko poem or its symphony-setting by Shostakovich symphony. The title is used as "metaphor for ... infamy"; and the music is intended as a disquisition on human iniquity and violence with the affirmation of a "fragile hope" as its epilogue. The rebarbative denseness and monotony of the scoring were admitted by Martland (in a disarming pre-performance podium conversation with Nicholas Kenyon, Radio Three chief); he has learned to restrain his forces since then.

The strongest assets of the work are a large-scale vision, starkly dramatic, and a deep-rooted musicality which enables so much of it to be established in purely musical terms. The general weaknesses – repetitiousness, monotony – seem to result from Martland's belief that impassioned vociferation, emotional slamming-home of points, can legitimately take the place of reasoned argument.

A *similar general criticism* may perhaps be permitted of MacMillan's music-theatre piece *Búsqueda* (1988), given the previous evening by 17 players from the Philharmonia under the composer himself. Using a speaker (Diana Quick), an octet of supporting actors and a trio of female singers, he laces together poems written by the mothers of the Argentinian "disappeared ones" and quotations from the Latin Mass ordinary; the text is layered above a continuous musical form drawing on various "popular" sources (including Scottish folk) subjected to various kinds of transformation.

MacMillan has a native gift for musical drama. The most affecting parts of *Búsqueda* – apart, that is, from the poems themselves, heartrendingly direct in their impact – are the quietly and beautifully tender interweavings between small groups of instrumental and human voices. But the louder and more forceful dramatic gestures seem not the less obvious for being heartfelt: the climax of the piece combines ugly *amplified group shouting* and triple-fortissimo in the manner of poster art.

Babi Yar was the first item in a concert (also including Britten's Four Sea Interludes and Vaughan Williams's Fourth Symphony) that was itself first in the BBC Symphony's new "British Line" series. The tickets are single-price (low), the seats unreserved, and the presentation betokens a new user-friendly attitude that may well succeed in boosting audience numbers for the BBC Symphony's South Bank concerts. *Búsqueda* formed an early-evening overture to the Philharmonia's *Dream of Gerontius* (movingly conducted by Yevgeny Svetlanov, and superbly played and sung); it also formed the first of the orchestra's excellent new "Music of Today" series, of which MacMillan is artistic director.

Philharmonia concerts sponsored by AFG

INTERNATIONAL

ARTS GUIDE

■ BARCELONA

Tonight at 20.00 in the Liceu, the Philip Glass Ensemble and *Lucinda Childs Dance Company* give the first of five performances of Einstein on the Beach, the 1976 multi-media work by Philip Glass and Robert Wilson. Daily till Sat (412 3532). Sun in Palau de la Musica: Pierre Boulez directs the Ensemble InterContemporain (268 1000)

■ BONN

BEETHOVEN FESTIVAL

Dennis Russell Davies conducts tonight's orchestral concert, which includes John Cage's The Seasons, Berio's Encore and Beethoven's Fifth Piano Concerto (Vladimir Feltsman). Tomorrow: Beethoven and Berio chamber works. Thurs: Roy Goodman conducts the Hanover Band. Fri: Uwe Heilmann sings Lieder by Beethoven and Schumann. Sat: Gary Bertini conducts Beethoven's *Ninth. Sun: concert* of contemporary music inspired by Beethoven. This is the final week of this year's festival in the Beethovenhalle (775775)

■ BRUSSELS

Luc Bondy's Salzburg Festival production of Salome, conducted by Antonio Pappano, has its final *performances tonight, Fri and* Sun at the Monnaie, with a cast headed by Karen Huffstodt and Jose van Dam. The next production at the Monnaie is Un *ballo in maschera*, opening on Oct 27 (219 6341). Tomorrow at Palais des Beaux Arts: Riccardo Muti conducts the Orchestra of La Scala, Milan. Oct 11: Paul Daniel conducts the Orchestra of the Monnaie in works by Ravel, Berlioz and Jonathan Harvey (640 1525). Fri in Theatre National: first of eight performances of Corneille's play La Place Royale (217 0303)

■ CHICAGO

LYRIC OPERA

Tonight at 19.30, Leonard Slatkin conducts the first night of Gotz Friedrich's production of Elektra, with Eva Marton, Leonie Rysanek and Nadine Secunde. Runs till Oct 30, with next performance on Sat. Tomorrow and Fri: Rossini's Otello (332 2244)

CHICAGO SYMPHONY ORCHESTRA

Tonight at Orchestra Hall, Daniel Barenboim conducts an all-Strauss programme. Thurs, Fri, Sat: Lutoslawski 80th birthday programme, with Isaac Stern. *Neeme Järvi and Erich Leinsdorf* conduct most of next month's concerts, and Georg Solti returns in November (435 6666)

■ COLOGNE

THEATRE

Maxim Gorki's The Lower Depths and Brecht's The Exception and the Rule can be seen at the Schauspielhaus this week in guest productions by Theater an der Ruhr, Mulheim. A new production of Edward Bond's play Saved opens at the Schlosserei *tomorrow* (221 8400)

CONCERTS

James Conlon conducts the Gurzenich Orchestra in works by Geoffrey Wharton, Dvořák and Bruch tonight at the Philharmonie. Thurs and Fri: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Tchaikovsky and Fibich. Sun: Haydn's The Seasons. Mon: Thomas Hampson Lieder recital. Oct 14: Czech Philharmonic. Oct 19: Keith Jarrett. Oct 20: Alfred Brendel. Oct 24: an evening with Peter Ustinov (2801)

OPERA

Franz Grundheber and Elizabeth Connell star in Macbeth at the Opernhaus tomorrow, Sat and next Wed. Tomorrow and Sun: *Harry Kupfer's production of* Pelléas et Mélisande. Fri: Rossini double bill (221 8400)

■ FRANKFURT

Alte Oper Mitsuko Shirai gives a Lieder recital tomorrow. Thurs: Van Morrison in concert. Fri: Jiri Belohlavek conducts the Czech Philharmonic in works by Mozart and Franck. Sat: Barrelhouse Jazz Party with Al Grey, Marty Grosz, Kuumba Williams and others. Mon: Modern Jazz Quartet. Oct 8 and 9: Dimitri *Kitaenko conducts the Frankfurt* Radio Symphony Orchestra. Oct 10: Crosby Stills and Nash. Oct 11 and 12: John Nelson conducts Berlioz. Oct 14: Nikolaus *Harnoncourt conducts the* Chamber Orchestra of Europe. Oct 30: Martha Argerich (1340 400)

Opernhaus The current *programme consists of William* Forsythe choreographies (Thurs, Sat and next Mon) and Il barbiere di Siviglia (tomorrow, Fri, Sun afternoon and next Wed). Francisco Araiza gives a song recital on Sun evening. Un ballo in maschera joins the repertory on Oct 16 (236061)

■ HAMBURG

Staatsoper Bernd Weikl sings the title role in Simon Boccanegra tonight and Fri. Tomorrow, Sat and next Wed: Le nozze di Figaro with Bryn Terfel and Lucio Gallo. Thurs and Sun: Alfred Schnittke's ballet Peer Gynt. Oct 11 and 18: Der *Rosenkavalier with Lucia Popp*. Oct 25: new production of Die Walküre (351721)

Deutsches Schauspielhaus Ute Lemper is Lola in The Blue Angel, *daily till Sun. The new* theatre season opens next week with revivals of Lessing's Emilia Galotti and Arthur Miller's Death of a Salesman. The first new production is Shaw's Heartbreak House, directed by Arie Zinger, opening on Oct 24 (248713)

Thalia Theater Jurgen Flimm directs a new production of King Lear, opening on Oct 17. Peter *Ustinov gives a one-man show* on Oct 23. A new production of Ariel Dorfman's play Death and the Maiden opens on Oct 31 (322666)

■ WASHINGTON

CONCERTS/DANCE

- National Ballet of Canada is in residence at the Kennedy Center Opera House this week, with daily performances till Sun and an extra matinee on Sat and Sun. Tonight, tomorrow and Thurs: mixed bill of choreographies by James Kudelka, Harald Lander and William Forsythe. Fri, Sat, Sun: Taming of the Shrew choreographed by John Cranko (467 4600)
- Mstislav Rostropovich conducts the National Symphony Orchestra tonight at the Kennedy Center Concert Hall, in works by Tchaikovsky and Ravel. Thurs, Fri, Sat: Randall Craig Fleischer conducts works by Beethoven, Saint-Saens, Barber and Copland. Next Mon: Yo Yo Ma *and Emanuel Ax play cello* sonatas by Debussy, Mendelssohn and others. Oct 11: National Orchestra of Spain. Oct 21-25: Mark Morris Dance Group (467 4600)

THEATRE

- Marvin's Room: Scott McPherson's black comedy about a family confronting life's problems. Till Oct 18 (Eisenhower Theater 467 4600)
- Pentecost: Stewart Parker's play is set in Belfast during the 1974 disturbances. Opens tomorrow, till Oct 25 *(Roundhouse Theater, 301-217 3300)*
- Executive Leverage: Joe Palka's musical play about a presidential campaign in 2012. Opens tomorrow, till Nov 8 (Source Theater, 462 1073)
- Troilus and Cressida: a Shakespeare Theater production directed by Bill Alexander. Till Oct 23 (Lansburgh, 393 2700)

JAZZ/CABARET

Blues Alley Jazz Supperclub Tonight: Ken Navarro, keyboards. Tomorrow: Kenny Rankin, vocals. Thurs: Jim Chappell, keyboards. Sun: Joey DeFrancesco, organ. Music from 20.00 (1073 Wisconsin Ave, in the alley, 337 4141)

■ ZURICH

Opernhaus 19.30 Nello Santi conducts Francesca Zambello's production of Bellini's Il Pirata, with Mara Zampieri and Salvatore Fisichella, also Fri. Tomorrow and Sun: Nikolaus Harnoncourt conducts Fidelio, with Lucia Popp. Thurs and Sat: *Don Giovanni with William* Shimell, Ann Murray and Cecilia Bartoli (262 0909)

Tonhalle 19.30 Georg Solti conducts the Tonhalle Orchestra in works by Haydn and Bruckner, repeated tomorrow. Thurs: Keller Quartet plays works by Honegger, Chausson and Tchaikovsky. Oct 14: Frans Bruggen conducts the Tonhalle Orchestra (206 3434)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly in-depth analysis from FTTV

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly - global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (*Thurs*) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week - a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday September 29 1992

Wrong track on insiders

THERE IS a widespread perception, in and out of the financial markets, that Britain's present legislation on insider trading does not work. So much the better, it might be thought, that the government is about to seize the opportunity presented by an EC directive on insider trading to overhaul the earlier domestic legislation. Yet many in the City fear that the forthcoming Criminal Justice Bill will fail to deliver a significant improvement on the much criticised status quo.

One of the chief shortcomings in the existing law which contributes to a high rate of acquittals in insider dealing cases is that the definition of an insider has been too tightly drawn. Those who have escaped criminal sanctions despite profiting from inside knowledge have often done so because they were at one remove from the company whose shares were traded.

Equally problematic has been the difficulty of proving intention; that is, demonstrating that people made their profits knowingly from privileged information. And the Treasury itself has recently been irked by indications that insider dealing was taking place in the gilt-edged market, where the legislation did not operate.

On the basis of preliminary drafts of the proposed legislation circulated all too briefly around City institutions in the summer, the government is now seeking to widen the definition of an insider to ensure that those who are not necessarily close to the company are no longer immune from criminal sanction. It will even be illegal, if the present drafts find their way into law, for a broker to encourage people to deal in a company's shares, where they are not given the inside information to which the broker has had access.

The proposed legislation also shifts the onus of proof onto the defence to prove that a given transaction was *not* prompted by inside information. The problem of proving intention would thus disappear. And the Treasury will have its revenge on those who penetrate its defences by introducing the gilt-edged market to the offence of insider dealing.

The legislation seems well designed to secure a higher level of convictions in insider dealing trials. The questions concern the risk of overkill and the possibility that the flow of information from companies to the markets will be impeded under a regime that also widens the definition of inside information. The Treasury is anxious that City analysts should not be deterred from diligent investigation. Yet it wants them, perversely, to confine their work to publicly available information.

Equally worrying for analysts is a proposal that the definition of inside information should be widened to include data that is not specifically about the company whose shares are being traded. Unpublished industry information, for example, will qualify as inside information. And there are more technical concerns about the impact of legislative detail on underwriting practice.

The more fundamental criticism of the draft proposals, however, is that they fail to address the real problem. The reason why there have been a mere 28 insider dealing trials in 11 years is that the process of investigation and detection is not effective. Yet the government is not proposing to remedy the weaknesses of an unduly fragmented investigatory system. Nor is it looking into the appropriateness or otherwise of introducing civil remedies for insider dealing. Nor, again, at the abuse of Chinese walls in the post-Big Bang City. A wider opportunity is undoubtedly going by the board.

Rational roads

IS TRANSPORT in Europe too cheap? Try asking the Swiss, reluctantly embarking on one of the biggest rail projects of the century. The cost of building two train tunnels totalling nearly 50 miles on a north-south axis under the Alps is put at SFr14.9bn (£6.7bn), but finance charges and inflation are likely to push the final figure to a colossal SFr34bn.

The Swiss themselves will derive little benefit from the project: the trains' main function is to give piggy-back rides to the heavy volumes of road traffic making the trans-Alpine journey between Germany and Italy. Up till now Switzerland has sought to protect its fragile Alpine environment by refusing access to vehicles weighing more than 28 tonnes, but the country's moves towards membership of the European Community have obliged it to open up a trans-Alpine route for the 40-tonne juggernauts at present taking alternative routes through Austria and France.

In a rational world, the cost of the tunnels would be borne by those for whom they are being built - their users. The world of transport, however, operates differently. Although users of the Alpine tunnels will be charged a fee, it cannot be a large one because transit traffic would simply revert to cheaper, more environmentally damaging, routes. Consequently, few (if any) of the Swiss taxpayers faced with the bill for building the tunnels will live long enough to see the project's revenues cover its costs.

The case of Switzerland's Alpine tunnels is symbolic of the transport difficulties facing a unifying European market. New patterns of transnational trade are putting increasing strains on both transport infrastructure and the environment. The combination of cheap road transport and a relaxation of border controls has opened up tempting opportunities to exploit quite narrow price differentials across national frontiers: one apocryphal story tells of a vegetable producer growing potatoes in Germany, sending them across the Alps for peeling and processing in Italy, then bringing them back to Germany for packing and distribution.

There is no case for seeking to restrict such cross-border trade. On the contrary, an efficient market should encourage it. What is open to question, however, is whether a market can be regarded as efficient if participants are relieved from the obligation to meet the costs they impose on others.

Governments and taxpayers, particularly those bearing the increasingly heavy cost of transit traffic, are unlikely to be able to fund the provision of either the transport infrastructure or the environmental protection necessary to cope with forecast rate of traffic growth: nor should they be expected to do so. Instead, a common EC transport policy should have at its heart what at present it so badly lacks: an intelligible system of charging road users not just the full cost of providing the infrastructure they use, but a sum reflecting the cost to the environment of preferring this mode over less damaging ones. It may well be that it makes sense to transport lorry loads of potatoes across the Alps and back to be peeled: but until a rational system of charging for road use is in place, it will be impossible to know.

Oilseed rape

TODAY'S MEETING in Geneva of the governing council of the General Agreement on Tariffs and Trade could be a day of reckoning in the US's six-year dispute with the EC over the latter's restrictions on oilseed imports. Without a last-minute outbreak of common sense, the two sides seem poised for a tit-for-tat trade war.

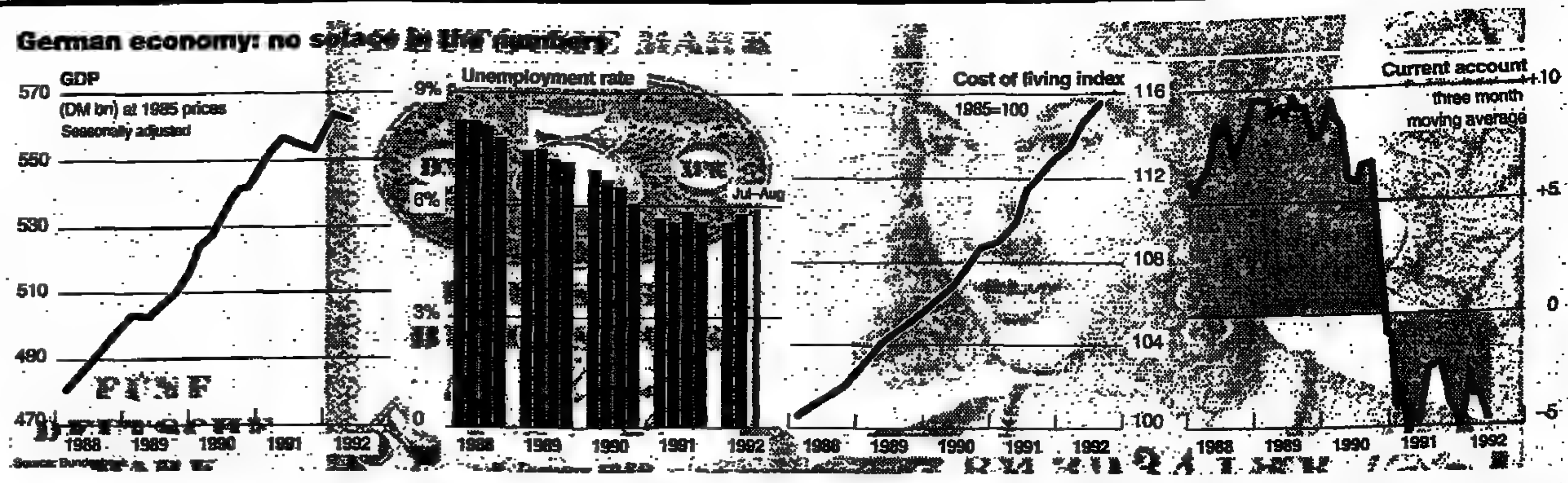
The sequence is expected to be simple: the US will demand that the EC accepts binding independent arbitration to settle the dispute. The EC will refuse, instead recommending further negotiation. The US will then unleash a threatened $1bn of sanctions against EC farm exports, prompting the EC to hit back.

Negotiators must realise that this way madness lies. The dispute could disrupt a swathe of US-European trade in products ranging from aircraft to whisky, and hurt many other exporting nations.

EC officials say the only move that can break this vicious circle is a settlement of the Uruguay round of world trade talks. This would be highly desirable. The solution lies largely with the US and EC: the mainly agricultural issues separating them are trivial compared with the potential gains for all from a settlement.

On the other hand, success is far from assured. EC member states may be even less willing to push for a settlement than before the French referendum on Maastricht. And with President Bush trailing in the polls, he may be in no position to compromise further for an agreement that might not yield enough votes to make a difference. It would be reckless to rely on the Uruguay round to avert a trade war. More likely, an escalation of the oilseeds dispute will disrupt efforts to conclude the round.

The immediate priority must be to prevent the issue from blowing up today. To this end, the EC needs to review its position. The Gatt has twice ruled that US complaints against the EC oilseed regime are justified. Bilateral negotiations aimed at setting EC compensation are deadlocked. The time has come for the Community to accept that independent binding arbitration is the only fair route to a settlement.



Germany's economic powerhouse looks fragile at home, says Christopher Parkes

Figures lose their shape

When Germany went on holiday this summer, light was still flickering at the end of the economic tunnel. Now, after the European currency turmoil of the past month, the light seems to have gone out. Hopes built on a recovery in exports have been doused by the sharp appreciation of the D-Mark against the currencies of leading trading partners. With the fading of these hopes, the mood in industry has darkened, the green shoots of the "blooming landscape" promised in the east have died, and the indecisive manoeuvring of the political leadership in Bonn has become overlaid by a mood akin to desperation.

Buoyed by the tidal wave sweeping through currency markets, the D-Mark stands more than 4 per cent higher against a trade-weighted basket of European currencies than at the start of the year. It is 10 per cent up against sterling, 11 per cent higher against the lira.

According to German economists, this shift has pushed Germany to the verge of recession – even though, according to the stern message of the Bundesbank, "there can be no talk of recessionary trends".

Real gross domestic product, the independent central bank points out in its September report, was "only" ½ per cent lower than in the relatively strong first quarter. However, it concedes: "Uncertainty about the further course of business activity has undoubtedly increased."

This uncertainty was magnified in yesterday's report from the respected Ifo economics institute in Munich, which described a slump in west German industry's hopes for the coming six months, and amplified further in the stock markets. The report was a prime factor behind yesterday's 2.53 per cent drop in the Frankfurt DAX index.

The broad range of manufacturers, distributors and building companies sampled monthly by Ifo said incoming orders had fallen again in August, inventories were building up and orders in hand were shrinking despite production cuts. "Production plans for the coming months are tending increasingly towards reduction," Ifo said.

Instead of a second-half economic upswing, universally expected six months ago, west Germany now faces a period of further decline. Most of this year's overall growth, now expected to be less than 1 per cent, seems likely to stem from the freak surge recorded in the first quarter – mainly attributable to unseasonably fine weather – which boosted the construction industry.

All leading economic indicators have turned resolutely downwards since that false spring, when year-on-year GDP growth was 3.2 per cent. By the end of the second quarter the advance was down to 0.6 per cent. In the three months to the end of June, capital investment was 4 per cent lower than a year earlier.

When the Ifo report of a fall in August's industrial order intake is officially confirmed, that will mark the sixth consecutive month of decline in west Germany. At the half-year mark, new foreign orders were more than 7 per cent lower than in 1991, and industrial output was down 3 per cent. Production in the capital goods industry, which accounts for about 50 per cent of all west German industrial sales, had fallen 4 per cent. The consequences for the labour market have included stagnating employment and a 10 per cent rise in the number of jobless.

Bonn and Frankfurt are still digesting the impact of recent international monetary turbulence – and are waiting to see whether it will be followed by fresh upheavals. The D-Mark's parity against the French franc now looks reasonably secure after last week's strong and successful defence by the Bundesbank and Bank of France. But, in the wake of the Anglo-Italian decisions to suspend participation in the ERM, a further round of "competitive devaluations" by other weaker-currency economies would deal a fresh blow to Germany's export-dependent economy.

Bonn is pondering the advantages and drawbacks of a move, always implicit in the Maastricht treaty, towards a "fast-track" monetary union with a few other EC partners. If, as a result of hold-ups in Maastricht ratification elsewhere, such a procedure were agreed with France and the Benelux countries, the economic benefits would be only limited. The Bundesbank would probably remain in charge of the process – but a "two-speed" march towards European union would provide fixed exchange rates for Germany's trade flows to countries at present purchasing only about 29 per cent of total German exports – a much smaller part of overall trade than the EC, which accounts for 54 per cent of exports.

As the Bonn government considers the future path of European integration, the Bundesbank sits at its shoulder, nagging it about a still more pressing matter. The economic deadweight of the former East Germany is a far more serious constraint on economic policy than was imagined when unity was forged two years ago.

As the bank's September report says: "For a fairly long time to come western Germany will have to accustom itself to a high level of transfer payments to eastern Germany. Due regard has not been paid to this in a large proportion of the public sector budgets and in negotiated pay settlements."

Transfers this year will reach DM170bn, up DM20bn from last year, according to new estimates from Deutsche Bank, the biggest private sector bank. "A fairly long time" in Bundesbank language is translated into "10 years and more" by some independent economists.

The thrust of the central bank's report, which focuses, as usual, relentlessly on domestic policy, is that none of the conditions which it requires before interest rates can be reduced has yet been met.

Although inflation has fallen since the March peak of 4.8 per cent and is now holding at about 3.5 per cent, most of the decline is accounted for by the "base line" effect of indirect taxation increases dropping out of the calculation in July and the moderating influence of falling import prices owing to the strength of the D-Mark. "In other words the progress made in combating inflation has not yet been consolidated," the report adds.

Nor has there been any significant progress in combating wage inflation, notably in the east. The bank is especially concerned about this year's agreement to raise public sector pay in the former GDR to 80 per cent of western levels by July next year.

The Bundesbank's anti-inflation struggle has been considerably complicated by its difficulties in meeting this year's 3.5 to 5.5 per cent target for growth in the broad M3 money supply. Already in August, M3 was growing at an annualised 9 per cent. The unprecedentedly large intervention during the past month by the Bundesbank and other European central banks to hold down the rise of the D-Mark against partner currencies has led to large flows of liquidity on to the Frankfurt money market. Although the Bundesbank is doing its best to neutralise these inflows through money market operations, the rush of speculative funds into the D-Mark will push year-on-year growth in M3 still higher this autumn. This degree of overshooting – unparalleled in the 18 years since it started monetary targeting in 1974 – poses an enormous challenge for its credibility.

Bonn, too, needs to maintain public confidence. It has promised an about-turn in its spending policies. But, as is clear from recent Bundesbank statements, Frankfurt's scepticism has yet to be overcome.

The 1993 budget tabled recently by Mr Theo Waigel, finance minister, allows for a nominal increase of only 2.5 per cent in federal spending – a distinctly non-inflationary tack in a year when price inflation is expected to average 3.75 per cent. In the next three years, the average target increase will be even lower at 2.3 per cent. The implication is an absolute limit on spending increases until 1996 of almost DM11bn a year.

According to Mr Helmut Kaiser, an economist at Deutsche Bank, Mr Waigel's words are "welcome . . . but not entirely credible", if only because the minister has not yet said how he intends to make the necessary cuts.

Room for cuts elsewhere is slender indeed: about 11 per cent of federal spending is currently consumed by interest payments; another 10 per cent of the Bonn budget – the sums are fixed by legislation – is consumed by allocations to regional and local authorities.

The only areas where significant cuts might be made are in the subsidies paid to industries such as coal and agriculture, which account for almost 40 per cent of Bonn's annual spending. "Experience shows, however, that attempts to [dismantle subsidies] generally fail," notes Mr Kaiser.

By adopting Mr Waigel's thinly detailed proposals the government has put itself on a hook, and the *Bundesbank is unlikely to let it wriggle off easily.* Earlier this month when it snipped a ¼ point off its Lombard rate and ½ a point off the discount rate, Mr Helmut Schlesinger, the bank's president, said it was contributing to easing exchange rate tensions. The move, he added, could also be seen as a shift in line with the needs of a weakening economy.

In that case, if the German economy descends into recession, he and his colleagues may be prepared to take a more radical approach to interest rate cuts.

If the Bundesbank holds its current rigid line, keeps rates high and thereby smothers economic resurgence in its main European export markets, the evidence so far suggests there is no chance of an export-led recovery in the near future. The only apparent alternative appears to be a significant easing of rates over the next 12 months, leaving the markets to realign the D-Mark with its battered neighbours, and the postponing of the Bundesbank's dream of 2 per cent inflation to some uncertain point in the future.

GERMAN PUBLIC SECTOR DEBT (DMbn)

	1990	1991	1992	1993	1994	1995	1996
Federal government	542	586	619	658	740	773	804
Länder and local authorities*	453	490	532	575	727	808	895
German Unity Fund	20	51	75	90	95	95	95
Total central, regional and local authorities	1,053	1,170	1,342	1,451	1,603	1,722	1,889
Treuhandanstalt	14	49	135	195	250	250	250
Ex-GDR housing control	38	42	46	50	–	–	–
Total government debt	1,225	1,387	1,579	1,871	2,054	2,196	2,386
As % of GDP**	45.7	49.9	58.3	57.7	69.0	63.0	68.5

*1990 excludes east Germany
**From 1991 total German GNP
Source: Bundesbank; Federal Ministry of Finance; Deutsche Bank

Joe Rogaly

Assets and liabilities

The collapse of Mr John Major's government has come six months too late, or four years too early, for Mr John Smith's Labour party. If the events of the past fortnight had taken place in March or early April, then even a Labour party led by Mr Neil Kinnock might have bettered the 35 per cent of the vote it attracted in the general election. As to the next contest, which need not be held until April 1997, Labour can expect to do exceedingly well – *if* the Conservatives are still at one another's throats, and *if* their leader still has all the authority of a deflated balloon.

You only have to state those two big "ifs" to see that the principal opposition party, which is afire with complacency this week, has work to do if it is not to risk the loss of a fifth general election. It cannot rely on the proposition that the Tory party will continue to govern with effortless incompetence.

This is not to say that Labour will derive no long-term benefit from what has happened. It can never again be said that it is Labour alone that is the party of devaluation. It is no longer possible to see an early end to the Conservatives' civil war over Europe. Even when peace is restored the task of reconstruction will be arduous. The likable new prime minister who replaced Mrs Margaret Thatcher is an asset whose value has fallen as sharply as house prices in the south-east.

Mr Major can no longer rely on the support of such pillars of Conservatism as the Daily and Sunday Telegraphs and the Daily Mail. He is the same chap we admired during the Gulf war, the Tory hero who surprised everyone by standing on his soap-box and winning in April, the negotiator who outfoxed the continentals at Maastricht. Yet he is now the subject of destructive analyses, whose sub-texts are: "is he a man of straw?" and "why did we not see this before?" You may picture such future triumphs as you will for the prime minister – including a victory drive up Whitehall in a chariot drawn by the half-naked figures of Messrs Kenneth Baker, Nicholas Budgen and Michael Spicer – and even in such a fantasy he is still not quite the man he was before he was obliged to flee the exchange rate mechanism.

This vision of Conservative distress has given the Labour conference in Blackpool a lift that is unjustified by the party's long record of electoral failure. Mr Major may yet recover, if not completely then at least sufficiently to ride home again on an inflationary boom. Alternatively, if he tries and fails to put a son-of-Maastricht bill through the Commons, or if he shames himself and shies at that fence, he can be replaced. There is plenty of time.

Labour, while thought to be caring and fair, is seen as the party most likely to take things away

The danger for Labour is that it will waste the autumn on self-congratulation. This danger has been compounded by the recent achievements of its new leader, Mr John Smith. Headline success may merely lengthen the period during which the party fails to reform. Last week Mr Smith demonstrated his ability to command the House of Commons. Yesterday the conference endorsed his stately policy of sticking by Maastricht, and returning to managed exchange rates (for which read the ERM). It rejected the Labour Europhobes' calls for a referendum. It threw his defeated rival, Mr Bryan Gould, off the national executive committee within hours of the latter's resignation from the shadow cabinet. It is impossible not to compare Mr Smith's growing ascendancy over his party with Mr Major's loss of control over the Conservatives.

None of this will help Labour if it does not find a way of convincing middle-class voters that its aspirations for social justice do not threaten the prosperity that, in spite of the recession, capitalism has brought to so many of them. The latest evidence comes in a Fabian pamphlet, Southern Discomfort, by Giles Radice. It is based on qualitative research among aspirant working-to-middle-class voters in five south-eastern marginal constituencies. As you might have guessed, Labour, while thought to be caring and fair, is seen as the party that is most likely to take things away, look after losers, and fail to reward or even understand the ambitions of the "ordinary man". Nothing that has been said at this conference so far suggests that Labour realises what it has to do about that fatal perception.

I have a suggestion. If Mr Bill Clinton becomes president, visit the US to see how he did it. The Democratic candidate is running a campaign that does not merely seek to allay the fears of the American middle class. It promotes Mr Clinton as the friend of capitalism, the man who wants prosperous ordinary people to prosper.

There are many differences between the US and British polities, but on this central question the Democrats are instructive. What they have to teach is more fundamental than talk of accommodation with the Liberal Democrats, electoral reform, green politics, or any of the other items in the party's grey "agenda for change".

The classroom moves closer to the workplace

John Gapper examines experiments designed to improve US vocational education and equip school leavers for employment

Beth Moore, an 11th grade school pupil in Boston, has learned a lot from working in a hospital. "It's good for growing up. Everything you do there has to be right, because you can jeopardise someone's life if it's not," she says. Unlike her friends, she has discovered what she wants to do after school. "I think when they say they don't want to work, they mean they don't know how to go about it," she says.

Beth is fortunate for a US pupil who is not going to attend university. Unlike many who drift through school without any clear goal, her education is being directed to an end. She is preparing for two years of part-time study at a community college. If she succeeds, she will qualify as a medical technician and could earn about $25,000 a year.

Beth Moore is taking part in an experiment funded by the federal government in Boston called Project ProTech. The aim is to fill some of the technical posts in local hospitals by providing an alternative to academic education for pupils who might otherwise drop out of school before 18. Many of the 90 in the experiment's first year come from public schools with high drop-out rates.

These links between schools and employers are common in countries such as Germany with a strong tradition of youth apprenticeship. But they mark a profound change for the US, where most parents want their children to have a university education. Only now is the scarcity of well-paid jobs for those who do not enter post-secondary education forcing schools to rethink their purpose and methods.

The result is a sharp increase in local experiments which try to provide a coherent strategy for the 84 per cent of pupils who do not go to university. The common aim of efforts such as Project ProTech is to help young people gain enough education to perform the expanding number of technical and professional jobs.

The need for such innovation is plain when one sees how vocational education has been handled until now. The US has never had a European-style dual education system in which academic and vocational schools are split. Instead, the 15,700 comprehensive high schools – compared with only 220 specialist vocational schools – offer job-related courses as an optional extra to core academic disciplines.

Such vocational courses are commonly second-rate. Many vocational teachers are recruited from industry, with less training than academic teachers. Their classes tend to offer narrow job skills rather than competencies applicable in all forms of work. Thirty vocational programmes in Philadelphia schools were stopped in 1988 after a business-led inquiry found they were achieving little or nothing.

As a result, pupils not heading for college have resisted entering vocational classes. They have preferred a less stringent form of academic education, within schools, called "general track". General track classes are widely blamed for lowering standards by allowing pupils within a single school to choose between a dozen forms of maths or English courses of varying rigour and content.

'The alternative to the college track has been general education which does not prepare students for anything'

"The alternative to the college track has been general education which does not prepare students for anything," says Ms J D Hoye, Oregon's associate school superintendent.

Ms Betsy Brand, assistant secretary at the US Department of Education, says schools have treated average pupils as an afterthought. "Our attitude has been elitist, and we have got to start looking at different strategies," she says.

Current reforms fall into two groups: improvements to secondary vocational education, and efforts to create a better path from school into work and further education.

Most reforms of secondary vocational education attempt to broaden the traditional view of preparation for work. Instead of encouraging pupils to learn craft skills such as carpentry or hairdressing, they tailor academic work to occupations. The aim is twofold: to motivate pupils to remain in school by making lessons more relevant; and to give them a better range of skills.

Some initiatives involve "schools within schools", which split the large public schools into small units where a group of teachers co-ordinates lessons around a subject. The best known examples are the "high school academies" in Philadelphia which offer lessons based on sectors such as health and horticulture. In the latter, pupils run a flower shop as well as being taught landscaping and aboriculture.

The academies achieved graduation rates of between 88 and 100 per cent last year, compared with about 60 per cent in other high schools. They were founded in 1969, but have been expanding and are expected to cover 17 per cent of the city's public school pupils by 1995. Ms Natalie Allen, the academies' director, argues that they are "the closest we are going to get" to apprenticeships.

Other states such as Oregon and Indiana are attempting a more ambitious approach. Indiana is creating a system under which 15 and 16-year-old pupils will take an exam covering literacy, technology and mathematics. They will then choose an area of study for their final two years of school from curricula such as business, health or technology. In all cases, they will study maths, science and language.

These sort of courses – often known as Tech Prep – have been encouraged by amendments to the Carl Perkins Act, which provides federal funds for vocational education. Ms Brand says such courses "hold out a vision of post-secondary education for many students who would not dream of it", by guiding them towards skilled occupations in which they are likely to receive further training at community college.

The second set of reforms goes further than simply changing secondary education. It tries to link study at school and community colleges with jobs. The ProTech effort gives pupils a day's work experience at a hospital each week while they are at school. When they leave, they study part-time at community colleges for two-year degrees while working as trainees at the hospitals.

But there are two difficulties with such efforts. One is that they require the kind of links between employers and schools common in Germany, but unusual in the US. The second is that parents are reluctant for their children to be selected for skilled employment rather than university at 16.

Thus the best hope for the reform movement is probably that enough pupils such as Beth Moore gain well-paid technical jobs. Until they start to see the value of an alternative to university education, many US parents will remain loyal to a form of schooling that was built to serve the interests of all but is increasingly failing the majority.

The author is a Harkness fellow of the Commonwealth Fund, New York. This is the third in a series about US education and training. Previous articles appeared on August 17 and 24.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

True energy efficiency stymied by motor car

From Miss J M Pick.

Sir, Bronwen Maddox reports on the slow progress of the Energy Efficiency Office in setting up the Energy Trust ("Energy Trust slow to gain speed", Business and the Environment, September 23) on the same day that you print a letter from the Economics Editor (Europe) of the Mainichi Newspapers ("Withdrawal from ERM stylish and result unwittingly good, but resignations an issue").

That letter lectures Britain on the virtues of economic efficiency, and contains the quite extraordinarily unimaginative statement: "If there is no car, the fuel is no good."

There are, of course, many better uses for fuel than using it, with monstrous energy inefficiency, in the motor car.

Pumping fuel into motor cars to accelerate the engine of economic development is simply one of the methods whereby the underlying global energy economy tests the monetary economy to breakdown point.

In the global energy economy, the laws and limits governing supplies and the efficiency of consumption are more or less fixed and known.

Anchoring the system of economic management to those reliable known factors promises a less dangerous ride than trying to anchor it to a currency which is subject to change by German bankers and sundry speculators.

It is hardly surprising that the Energy Efficiency Office is having such a job to find an Energy Trust chairman to talk eyeball to eyeball with other "high-status persons" about improving energy efficiency and evaluation.

The system remains locked to the grossly energy-inefficient motor car as its status symbol, and any genuinely energy efficient person must accordingly remain an outsider: an oddball.

J M Pick,
23 Maybourne Grange,
Turnpike Link,
Croydon CR0 5NH

Insider dealing law shows the strain

From Mr J C Newell.

Sir, Robert Peston's article ("Tougher legislation on insider dealing planned", September 9) was fascinating.

I always suspected that Treasury officials had different thought processes from mine and now I have proof.

According to the official: "If someone discovered that a company had closed down and then sold the shares of that company's competitor, that would be insider trading."

To me that response would be foolish. My reaction would have been to sell short the company that had closed down and buy shares of the competitor and I would define both of these actions as insider trading.

However, I admit that I am a classic outsider, as I live in Toronto and resigned as a director in the 1970s, therefore the official may classify my trading as "outsider trading".

I hope I am mistaken, as if I am not, there must be a lot of muddled thinking going on in official circles.

That does not augur well for making an intelligible tough new law to act on insider dealing, especially in a market where insider dealing has been the normal business practice for centuries.

John Newell,
774 Avenue Road,
Toronto,
Ontario M5P 2K3,
Canada

Mellor episode exposes odd news values

From Mr Derek Dobson.

Sir, On a day when 6,000 job losses are announced in the already decimated manufacturing industry, all the tabloids and TV news programmes are concerned about is the ministerial resignation of Mr David Mellor who remains an MP.

On the same day, Parliament was reconvened especially to debate the country's current economic plight.

Is society going mad or only the media? Ask any unemployed person which is the more important: Mr Mellor's future or their own? If one is cynical – and it is difficult not to be, given politicians' current standing – then was it not rather fortunate for Mr Major that the spotlight should be directed elsewhere at such a crucial moment? No doubt the favour will be repaid.

Derek Dobson,
173 Widmore Road,
Bromley,
Kent BR1 3AX

Reflections to allay investors' unease at venture capital fund managers' fees

From R Hollidge.

Sir, Norma Cohen's article, "Investors query the rewards of risk: Unease over fees for venture capital fund managers" (September 22), presents a misleading view and is also unbalanced in that it does not contain any meaningful response from the venture capital side. I hope you will allow me to present that case.

I will not comment on the guidelines governing personal investment by venture capital managers except to say that several venture capital houses do adopt this mechanism. Indeed, it is sometimes favoured by investors as a device to "focus the mind" of the venture capitalist – who will benefit in the case of successfully realised investments, but lose his money entirely in the event of failure.

The position with fees and the widespread practice of "carried interest" is one where one is unlikely to achieve consensus, since it is an issue of the pricing of a service. As an industry, we recognise that our comparatively high management fees are an inevitable consequence of the specialised nature of our investment activities.

As you rightly acknowledge, a venture capital fund nowadays typically includes a hurdle rate, ie the carried interest benefit does not accrue until all capital plus an agreed return is repatriated to investors. Again, this long-established mechanism tends to encourage exceptional performance on the part of the venture capitalist and is often insisted upon by investors, since it creates a community of interest between the venture capitalist and the investor.

Where I must take issue with your views is in the apparent lack of understanding of the role of a venture capital manager, particularly in management buy-out investments.

The comments from John McCrory reflect the skills needed: those of Mr Anslow as reported are extraordinarily naive. Our industry recruits senior executives from industry, as well as from the various professions, so that we can effectively carry out the analysis, selection, completion and realisation of investments. To complete any unquoted equity investment, be it start-up or MBO, will take anything from one to three months' full-time work on the part of the venture capital manager. The difference does not end there; a high degree of skill and effort is required in the subsequent monitoring of the investment.

It is true that venture capital has achieved good returns in recent years, but it is a long-term business and is obviously vulnerable to the economic cycle.

Premium returns are of course required to match the higher risk profile, and at the BVCA we are endeavouring to compile accurate figures showing aggregate returns for the UK venture capital industry covering a meaningful period to assist investors.

R Hollidge,
vice chairman,
British Venture Capital Association,
3 Catherine Place,
London SW1E 6DX

OBSERVER

Pilots facing turbulence

■ Will Rupert Murdoch – when the time comes for him to step down from News Corp – hand over the reins as gracefully as has his old chum Sir Peter Abeles at TNT, the company he's dominated for the past 25 years?

Sir Peter, a penniless refugee from wartime Hungary who started with one truck in 1950 and ended up running a A$6bn transport empire with 52,000 workers, is not bowing out completely. He will remain a deputy chairman, but will be spending most of his time trying to sort out Ansett, the troubled airline jointly-owned by TNT and News Corp.

Like Murdoch, Sir Peter is an impulsive entrepreneur whose company outgrew Australia. He also borrowed too much and has had to retrench. However, he differs from Murdoch in that he doesn't own a large chunk of his own equity and he has always had a reasonably strong chairman – Fred Millar – to keep him in check.

Sir Peter's departure kills two birds with one stone. It enables TNT to introduce a more disciplined management style and means that Sir Peter will be able to devote 100 per cent of his time to Ansett, perhaps the biggest problem facing TNT and News Corporation. Although News Corporation has been strengthening its board of non-executive directors, Rupert Murdoch is chairman and chief executive. So who will tell him when it's time to go?

Crystal balls

■ Most top British investment managers were caught napping almost completely by the UK's exit from the ERM, it seems. Consultants Godwins polled 75 top investment institutions at the beginning of the month – in a regular monthly exercise called Cityscope – and found that two-thirds of them expected Sterling's exchange rate to be the same or higher against the DM over the next year.

"The currency forecasts were of course based on the assumption that the UK's membership of the ERM was a foregone conclusion," explains Godwins on behalf of the hapless investment geniuses.

IdEA'sman

■ Has the Institute of Economic Affairs, the grandaddy of right-wing thinktanks, played too safe in the choice of its new director general – 40-year-old John Blundell?

Blundell's predecessor, 37-year-old Graham Mather, had upset the IEA's old guard by cosying up to prime minister John Major. He was accused of allowing the government to influence the IEA – rather than the other way round – and had to go. Blundell is unlikely to make the same mistake, but will he be as effective as Mather in getting the IEA's signals heard in the right places?

Blundell is an administrator, rather than a distinguished economic thinker, who has spent the past ten years in the US working closely with the late Sir Antony Fisher, founder of the IEA. Sir Antony made his fortune in Buxted chickens and used it to promote IEA-style thinktanks in over 40 countries. In his later years much of the work was delegated to Blundell as president of Atlas Economic Research foundation.

Although he is not well known in the UK, Blundell has two big advantages. He

"Who are you showing a semblance of unity with?"

knows how to chat up prospective sponsors, always important for a cash-strapped thinktank, and he has a vast network of contacts in academe. "The market place for ideas is international," says Blundell, who intends to carry on being a big importer.

By the book

■ Out of all South Africa's political prisoners released yesterday, Robert McBride, a 29-year-old coloured man who spent 1,463 days on death row for a Durban car-bombing, is perhaps the best known. Not only is he married to a daughter of an Anglo American director, Peter Leyden, but he is also the subject of a book.

Bryan Rostron, a Daily Mirror journalist who wrote "Till Babylon Falls", believes that he is the first journalist to get on to death-row in Pretoria's central prison where there are over 300 inmates. He had the idea for the book after reading a brief news report of the exploits of McBride and his Zulu colleague, Gordon Webster, who had been involved in a series of sensational propaganda bombings in Natal.

In the book, Webster gets injured at a roadblock and then McBride shoots his way into a hospital to rescue him. If the background was not so tragic – McBride bitterly regrets the deaths caused by his Durban bomb – the saga might be worth comparing with Butch Cassidy and the Sundance Kid.

No one is sure of McBride's forebears but one story is that he is the grandson of one of the leaders of the Irish Brigade, one John MacBride, described by Yeats as a "drunken, vainglorious lout". Such is the stuff of legends.

Executive tools

■ Recession, what recession? Air London, which arranges air taxis for rich people and tired executives, says that its business in September was 10 per cent up on the same month last year. Among its recent clients were six investment analysts who chartered a Citation jet for a week to ferry them between Heathrow – Biarritz – St Etienne – Friedrichshafen – Düsseldorf – Bilbao – Madrid – and back home. Cost £13,000. Sadly, their names must remain secret.

"Could be price-sensitive information, old boy," says Air London.

Prejudged

■ A juicy legal row is brewing between Professor Stephen Littlechild, the electricity regulator, and Coffer, the alliance of electricity interests which intends taking him to court for alleged failure to do his job properly. However, Coffer seems to be prejudicing the outcome: its solicitors are called Stephens Innocent.

FINANCIAL TIMES
Tuesday September 29 1992

Decision on political plans unlikely until end of week

Perot still teasing US voters

By Jurek Martin in Washington

MR ROSS PEROT, the Texas billionaire who continues to tease the last drop of suspense out of an increasingly bemused public, indicated yesterday that he might not announce the next step in his political plans until the end of the week.

He said on breakfast television that the leaders of his volunteers, convened in Dallas, would yesterday hear presentations from the US presidential campaigns of Governor Bill Clinton and President George Bush, return home to report to the state movements and then tell him what to do.

If the process stayed on schedule, he said, "it will happen by the end of the week". Reiterating his now familiar line, he added: "I don't make the decision. The volunteers will make the decision about what they believe is in the best interests of the country."

Later in the day, after meeting Mr Clinton's officials, Mr Perot was agog. "It was fascinating... It was like standing in front of a firehose with facts and information pouring out," he said, adding he had found much common ground with the Democratic contender's economic programme.

Mr Perot was due to appear late last night on Larry King Live, his favourite television talk show. Whether he would stick to the approach adopted on breakfast television was an open question. The eponymous host, who seems to have established some rapport with Mr Perot, confessed on Sunday he had no idea what Mr Perot would do.

Both Mr Bush and Mr Clinton also took to breakfast television programmes yesterday in an orgy of muesli politics, but both confessed they, too, had no idea if Mr Perot would enter the presidential contest.

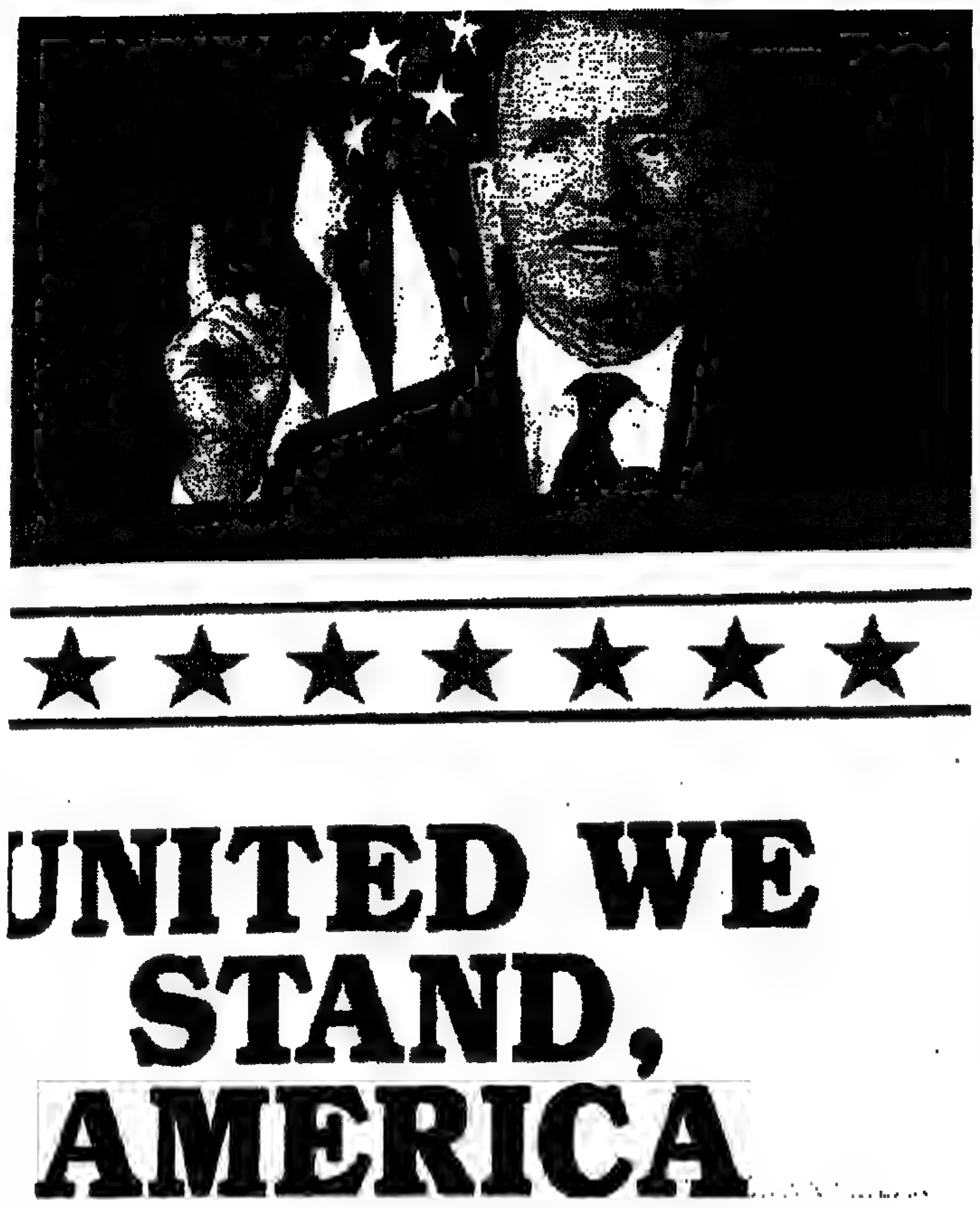
Mr Bush said his team would present to the Perot supporters a plan to lower both taxes and the federal deficit. Mr Clinton said his delegation would do the same and claimed his economic plans were already closer to Mr Perot's programme than anything offered by the president.

Mr Bush argued that the question of taxation would be "the big difference in this election". He is now claiming the Clinton plan would mean higher taxes on any American earning more than $36,600 a year, well below the $150,000 threshold (or $200,000 for a couple) that Mr Clinton says would be necessary to finance his investment schemes.

Pressed over whether he would abide by his recent promises not to increase taxes "ever, ever", a commitment subsequently qualified by the White House, Mr Bush insisted this was exactly what he meant.

Mr Clinton countered by trying to get more mileage out of Mr Bush's refusal to engage him in debate. He said he had accepted the format proposals of the bipartisan debate commission, but that "George Bush is like a kid on a play yard," saying, "we will do it my way or no way".

But both main candidates, at least over breakfast, had to take second place to Mr Perot and the extraordinary court he was holding in Dallas.



Keeping the country waiting: Ross Perot defers a decision on whether to run for president

THE LEX COLUMN

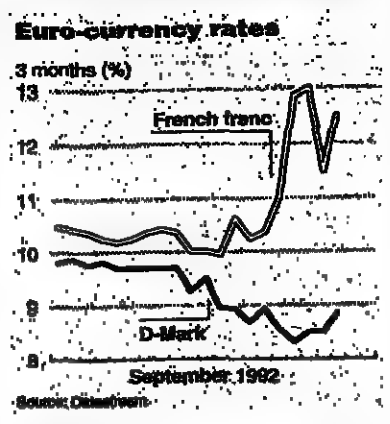
Airline turbulence

There is a clear lesson in the plight of Dan-Air for would-be liberalisers of Europe's aviation industry. Here, after all, was a relatively low cost airline which ought to have been a model beneficiary of the open skies policy pursued by Brussels in recent years. Instead its parent company, Davies & Newman, now finds itself in apparently life and death talks with Virgin Atlantic. The reason is largely the dire economic climate and delayed hopes for economic recovery. But Dan-Air's failure to gather momentum as a scheduled carrier highlights the difficulty of breaking into markets dominated by the big national flag carriers.

The reality is that BA's hold over slots at Heathrow has provided it with an inestimable advantage in developing its European network. Gatwick has its attractions – and Dan-Air has made an impact with its service – but what the business traveller most wants these days is not so much an extra half bottle of champagne as the flexibility to change his plans. As a hub airport Heathrow has this critical mass – a point which Virgin well understands and which lies behind its growing efforts to expand international services from there. For this reason the flirtation with Dan-Air seems a bit odd. The rationale, though, may lie more in providing Dan-Air flights with customers booked through Virgin Holidays, while the limited opportunities for passengers to switch airlines may explain why Mr Branson apparently does not want to put up much cash, and is not interested in a merger.

BA will be a more than interested bystander – not least because Dan-Air's assets include several slots at Heathrow. But perhaps BAA is more concerned. Stansted is one problem, but it would hardly do if one of its biggest customers at Gatwick was allowed to go to the wall.

FT-SE Index: 2560.0 (-41.0)



Source: Datastream

Bundesbank

The French franc's recovery leaves the Bundesbank under less immediate pressure to cut interest rates. But it still has the unenviable task of coping with money market distortions created by intervention of up to DM100bn during the recent upheavals in the ERM. Money supply growth of 9 per cent and a crop of disappointing inflation figures from the Länder dictate an urgent attempt to drain liquidity from the money market. So it is no surprise that the bank has cancelled its regular securities repurchase arrangement for the second week running. But it also has to move carefully to avoid upsetting the exchange markets. Short-term rates have thus been left just under 9 per cent, well below the Lombard rate of 9.5 per cent.

The mistake for the financial markets would be to read any policy significance into money market rates at these levels. More important is the systematic way in which liquidity is being drained – DM 28bn this week alone – by the cancellation of the repurchase agreements. There is evidently a strong body of opinion on the Bundesbank council still prepared to take a tough line even in the face of a deteriorating domestic economy. The hawks' determination has almost certainly been reinforced by domestic criticism of the bank for supposedly bowing to political pressures in cutting rates on September 14. Nor is it necessarily in Bonn's interest for the Bundesbank to relax. That would only reduce pressure for a consensus on containing the fiscal deficit.

Dwindling hopes of a rate cut this week doubtless contributed to falls of 4 per cent and 2.5 per cent in French and German equities yesterday, not to mention London's 41-point decline. But that is by no means the end of the story. Unless the Bundesbank moves, the mood on exchange markets will sooner or later grow violent again.

AGF

Assurances Générales de France played a shrewd hand to win its 26 per cent blocking minority in German insurer AMB without paying a premium for control. But yesterday's 24 per cent fall in interim net profits bears the scar of a less successful venture, its 48 per cent stake in Italy's MAA. As with the FFr190m first-half provision for poor property loans made by Banque du Phénix, the question is whether the FFr87m provided for pulling out of Italy will be enough.

Given that the capital gains which sustained French insurance company profits in the 1980s do not appear to have markedly slowed, investors are likely to be most worried about when the domestic market will turn. Yesterday's results from AGF suggest the company has been more picky about new risks than some of its competitors, and that underwriting losses are moving in the right direction. The process of recovery, though, promises to be slow.

UK car market

With the UK car market already resembling a multiple pile up, the devaluation juggernaut just adds to the carnage. Some 50 per cent of cars sold in the UK are imported, and £3bn of foreign components went into UK assembled cars in the first half of the year. To maintain margins, overseas manufacturers need to raise prices by 10 to 15 per cent in a market where sales have declined by 24 per cent in three years. The UK market weakness is only underlined by the government's decision to allow cars without catalytic converters to be sold for another year. In such conditions large price rises are impossible, but manufacturers will be hard pressed to cut costs or to spread their overheads by increasing volumes instead.

As dealer and distributor margins were already badly mauled by the recession, most of the pain will fall on manufacturers, with companies such as Volkswagen, BMW, Renault and Peugeot the worst affected. But cost savings can only partly offset the devaluation losses. Some price rises are bound to seep through. To protect their market position, manufacturers will delay rises, but that will only be a matter of months, especially if companies trusted to the ERM and left their sterling exposures unhedged.

Of course, there are winners. Rover has substantial sterling costs and should benefit in export markets. The Japanese investment in Britain also looks increasingly smart. UK component suppliers such as GKN may win further export business. But, it is hard to avoid the conclusion that, in the UK car market at least, devaluation will mean price rises without growth.

Fears over Japanese exporters

Continued from Page 1

cent last month compared with 1991. Most significantly, supermarket sales have started to fall, by 0.4 per cent last month, suggesting consumers are starting to cut back on everyday purchases of food and clothing as well as luxury goods.

Department store sales fell by 3.8 per cent, the sixth month in a row in which they have dropped. Sales at small local shops, where most shopping for food and other necessities is done, are relatively robust, Miti said.

The ministry's forecasts for steel output suggest there is little prospect of the downturn in manufacturing abating this year, with crude steel production expected to drop by 4.3 per cent in the three months to December.

Syria says Israel's stance on occupied lands is unaltered

By Michael Littlejohns, UN Correspondent, in New York

THE LATEST round of Middle East peace talks in Washington failed because the new Israeli government was no different from its predecessor on the issue of withdrawing from occupied lands, Syria said at the United Nations yesterday.

Mr Farouk al-Shara, the Syrian foreign minister, asserted that the claim by Mr Yitzhak Rabin, Israel's Labour prime minister, to have changed policies and priorities "lacks until now credibility at actual application".

He repeated that a settlement must be based on the inevitability of Israeli withdrawal from all occupied territories, including the Golan Heights, and "the legitimate national rights of the Palestinian people".

Anyone in Israel who believed total peace could be achieved without this, or that saturating the country with a sophisticated military arsenal could guarantee security, was gravely mistaken. "Any manoeuvre for partial withdrawal or intermediate steps will not bring peace either to the region or to Israel itself."

Referring to Israeli calls for talks at a higher level than those held so far, Mr al-Shara described it as an attempt to undermine the framework and mechanism agreed at the Madrid peace conference last year. He reaffirmed that Syria wanted an honourable peace, but this must mean that "no grain of sand of our land is lost and no concession of any of our rights is made".

Reuter adds from Jerusalem: Earlier yesterday Mr Rabin said peace between the two countries was in the hands of Syrian president Hafez al-Assad. On Israel Radio, he said Syria had to agree to talks at the highest level.

Kohl tries to calm markets

Continued from Page 1

intake among manufacturers fell 20 per cent in July, according to the economics ministry. Overseas demand fell by more than half.

The collapse followed a 20 per cent rise in June. It reflects the highly volatile trends in the east German economy since the virtual disappearance of buyers from former markets in the ex-Soviet Union and elsewhere in eastern Europe.

The broad range of manufacturers, distributors and building companies sampled monthly by Ifo said incoming orders had fallen again in August, inventories were building up and orders in hand were shrinking despite production cuts.

Germany bows to pressure and cancels V-2 celebration

By David Marsh in London

GERMANY bowed to foreign and domestic pressure yesterday by cancelling this weekend's ceremony commemorating the first wartime launch of the V-2 ballistic missile.

The decision by the German aerospace industry federation came soon after Mr Erich Riedl, parliamentary state secretary in the Bonn economics ministry, withdrew his support.

The climbdown followed several days of criticism in Britain and in Germany about the planned ceremony which would mark the 50th anniversary of the rocket's first launching on Peenemünde on the Baltic coast.

The industry federation said: "The planned scientific-technical celebration to commemorate the 50th anniversary of the birth of space travel on October 3 will not take place."

The V-2, one of the "wonder weapons" with which Hitler hoped to win the second world war, was the forerunner of modern space rockets and long-range military missiles.

Earlier yesterday, Mr Riedl was criticised by Mr Jürgen Möllemann, the economics minister, for his decision to hold the keynote speech at the site of the Peenemünde base. Critics in Britain – the target, along with Belgium, of most V-2 firings in 1944-45 – said the ceremony would resurrect war memories.

Publicity given to the commemoration has added to Anglo-German ill-feeling, already stirred by the bitterness over Britain's exit from the exchange rate mechanism a fortnight ago.

The event also drew fire from several Bonn cabinet ministers and opposition politicians.

A spokeswoman for a museum in Nordhausen, east Germany, commemorating concentration camp prisoners who died helping to assemble the weapons, yesterday condemned the ceremony.

The German aerospace sector and Mr Riedl himself had tried to portray the ceremony as a celebration of technical achievement, before they were forced to call off their association with the event.

The most famous of the Peenemünde workers was the base's second-in-command Wernher von Braun, who became the chief rocket designer for the US National Aeronautics and Space Administration.

Between September 1944 and March 1945, 1,115 V-2 rockets hit Britain, of which 518 fell on London, causing 9,000 casualties.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	F	24	75	Boulogne	S	20	68	Frankfurt	S	20	68
Algiers	S	25	77	Brussels	S	22	72	Geneva	S	16	61
Amsterdam	S	22	72	Budapest	F	23	73	Gibraltar	S	21	70
Athens	S	24	75	Buenos Aires	R	17	62	Glasgow	C	15	59
Bahrain	S	34	93	Cairo	S	29	82	Helsinki	R	12	54
Bangkok	C	34	93	Cape Town	S	18	64	Hong Kong	S	31	88
Barcelona	S	23	73	Caracas	F	30	86	Innsbruck	F	20	68
Beijing	S	21	70	Casablanca †	S	22	72	Inverness	C	14	57
Beirut	S	25	77	Chicago †	S	12	54	Islamabad	F	32	90
Belfast	C	14	57	Cologne	S	23	73	Istanbul	S	20	68
Belgrade	S	28	82	Copenhagen	C	14	57	Jakarta	R	32	90
Berlin	S	23	73	Corfu	C	24	75	Johannesburg	F	25	77
Biarritz	C	18	64	Dallas †	S	14	57	Lisbon	C	21	70
Bombay	F	34	93	Dublin	C	15	59	London	S	18	64
Bordeaux	R	15	59	Dubrovnik		–	–	Los Angeles †	C	19	66
				Edinburgh	C	13	55	Luxembourg	F	16	61
				Faro	S	22	72	Madeira	F	23	73
				Florence	S	21	70	Madrid	S	18	64

		°C	°F			°C	°F			°C	°F
Majorca	S	24	75	Oporto	S	20	68	Tenerife	F	26	79
Malaga	S	22	72	Oslo	S	14	57	Tokyo	F	21	70
Malta	S	26	79	Paris	F	17	63	Toronto †	S	8	46
Manila	C	34	93	Prague	S	21	70	Tunis	F	28	82
Melbourne	F	25	77	Reykjavik	Dr	9	48	Valencia	S	24	75
Mexico City	C	13	56	Rhodes	S	25	77	Venice	C	21	70
Miami †	R	26	79	Rio d'Janeiro	C	21	70	Vienna	S	23	73
Milan	C	22	72	Rome	C	24	75	Warsaw	S	17	63
Montreal †	C	14	57	Salzburg	F	23	73	Washington †	R	19	66
Moscow	F	14	57	S'Francisco †	S	12	54	Zurich	C	18	59
Munich	C	18	64	Seoul	F	17	63				
Nairobi	F	28	82	Singapore	F	26	79				
Naples	F	21	70	Stockholm	C	11	52				
Nassau	C	31	87	Strasbourg	F	17	63				
New Delhi		–	–	Sydney	S	20	68				
New York †	F	17	63	Taipei	C	29	84				
Nice	F	22	72	Tangier	S	23	73				
Nicosia	S	26	79	Tel Aviv	S	28	82				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 29 1992

INSIDE

Mixed fortunes in US for Hongkong Bank

Hongkong and Shanghai Bank has been forced to make charges and a cash injection for accident-prone US operations at a time when Marine Midland, its New York subsidiary, appears to have made a return to profit. The bank is to make charges of US$75m and inject US$100m into Concord Leasing, its US leasing subsidiary, after discovering that some of the assets in its portfolio have been undervalued. Page 30

Idea of reform is bananas

European Community proposals to reform its banana import regime would generate immense monopoly profits for importers, wholesalers and retailers, and are grossly inefficient, a World Bank working paper argues. Page 31

Europe at centre of volatility

Europe, once again, was the centre of share price volatility last week. Excluding the UK, it showed a fall of 2.9 per cent in local currency terms on the FT-A World Indices, the worst performers being Sweden and Spain.
Back Page

End of an era at TNT

TNT, the Australian transport group, yesterday said Sir Peter Abeles (left) had resigned as managing director after 25 years at the helm of the company he co-founded in 1967. Officials said Sir Peter, 68, was "immensely tired" after guiding the group through a difficult period in which it has reported two consecutive annual net losses.
Page 26; Observer, Page 21

KIO in political argument

Last week the Kuwait Investment Office accused its former managers of failing to provide the Kuwaiti government with proper information on KIO investments in Spain and of breaking house investment regulations. But with Kuwait facing a general election next week, the accusations have a political edge.
Page 24

Slices of Apple

Apple Computer slashed US prices for its Macintosh personal computers by up to 36 per cent yesterday in a bid to increase its share of the market and keep pace with rapidly falling prices. Page 26

Floating a chain of pubs

Mr Tim Martin's chain of London pubs should be floated within the next two months. His company, JD Wetherspoon, operates 44 pubs – all with real ale and no jukeboxes. The company made pre-tax profits of £2m ($3.5m) on sales of £21m in the year to July 31 and the flotation will raise about £20m, which should give the chain a market capitalisation of £40m-£45m.
Page 29

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
GEHE	391	+	7.5	Accl Entrepr	749	+	24
Rosenthal	220	+	6	Taittinger	2198	+	18
Falls				**Falls**			
AG Ind & Verk	406	–	21	Air Liquide	720	–	40
Asko Prf	385	–	20	Axa	785	–	65
Douglas	436	–	16	Dassault	2980	–	169
Lahmeyer	555	–	40	UFB Locabail	227	–	28
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chemical Bank	32⅛	+	¾	Rikan	550	+	51
Oakwood Homes	13⅞	+	¾	Shimura Kako	655	+	100
Falls				**Falls**			
Advanced Logic	4	–	¼	Daito Wool	420	–	100
Goodrich (BF)	41⅜	–	½	Godo Shusei	570	–	100
Goodyear	58⅝	–	⅝	Takashimaya	863	–	100
Home Intensive	3⅛	–	⅞	Yaskawa Elec	465	–	55

LONDON (Pence)							
Rises				Kenwood	245	–	42
DaleElect	79	+	9	Kingfisher	515	–	20
ExplorationCo	190	+	10	Ladbroke	160½	–	13½
Holt (Joseph)	2425	+	50	London Intl	188	–	12
Wood (JD)	27	+	8	Merrydown	255	–	43
Falls				Mesec	97	–	27
Body Shop	159	–	13	Mosaic Invs	58	–	9
Drummond	21	–	12	Redland	381	–	16
Forte	132	–	8	Smurfit(Jeff)	257	–	10
Gen Accident	423	–	26	Stha Business	87	–	5
Glaxo	745	–	24	Tate & Lyle	329	–	13
Grand Met	497	–	24	Wellcome	909	–	41
Hampden	44	–	4				
ICI	1145	–	63				

Philip Morris in Norwegian move

By Karen Fossli in Oslo

FREIA MARABOU, Scandinavia's leading chocolate, sugar confectionery and snacks group, yesterday accepted a $1.5bn takeover from Kraft General Foods International (KGF), part of the Philip Morris group of the US.

Hershey Foods of the US, which has an 18.6 per cent shareholding in Freia Marabou, has had several offers rejected by the Norwegian company. The offer is believed to be one of the biggest ever made for a Norwegian company by an international group. It will be made through Jacobs Suchard which is owned by KGF. The deal is conditional on approval by the Norwegian authorities. Freia Marabou had sales last year of $900m and an operating profit of $90m.

Norsk Hydro, Freia Marabou's biggest shareholder, plans to take up the offer. Together with its pension fund, Norsk Hydro owns a 44.1 per cent stake in Freia Marabou.

Jacobs Suchard is putting up NKr450 a share for each of Freia Marabou's A and B class shares. Trading in the company's shares was suspended yesterday on the Oslo and Stockholm bourses.

Freia Marabou, KGF and Jacobs Suchard together will become Scandinavia's leading branded food group. "The merger enables a series of strong Freia Marabou brands like Dime and Twist to be sold across Europe and internationally. It will increase the market presence of Jacobs Suchard in northern Europe with brands including Toblerone, Milka and Suchard pralines," said Mr Raymond Viault, chief executive of Jacobs Suchard Europe.

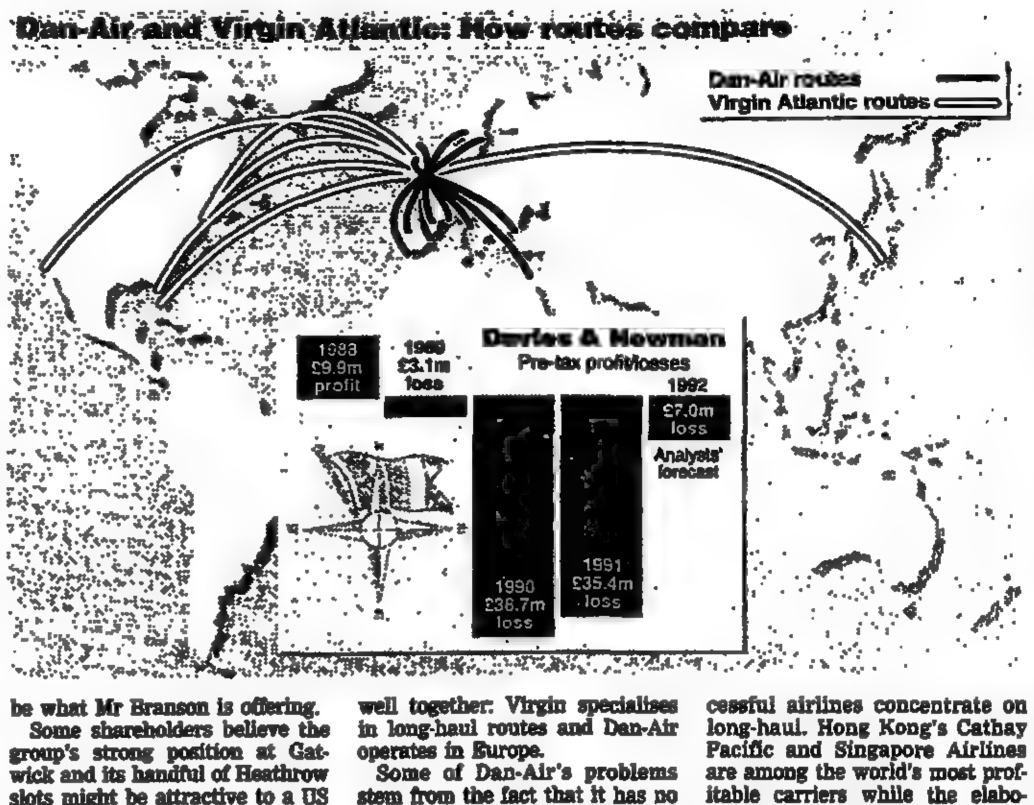
Hershey Foods purchased its stake in Freia Marabou at the end of April for NKr1.16bn ($202m). Yesterday Hershey said it had made an informal offer of more than NKr400 a share for Norsk Hydro's Freia stake.

The deal when accepted will yield Norsk Hydro a profit before tax of around NKr2.4bn and Norsk Hydro's pension fund will receive NKr500m.

Ms Natalie Bailey, a Hershey spokeswoman, said reports that the company was unwilling to sell its stake in Freia Marabou were premature. "We are keeping our options open and have not made a final decision in any direction. As I understand it, once the Kraft offer is finalised and extended to all shareholders, we could tender our shares or remain a shareholder."

Jane Fuller and Daniel Green on Virgin's possible relationship with ailing airline

Dan-Air hopes name-dropping will reap hard cash



Marketing is a key word in the talks between Mr Richard Branson, owner of Virgin Atlantic Airways, and Mr David James, company doctor at Davies & Newman Holdings which owns the struggling UK airline, Dan-Air.

Just as the Virgin name is being held out as a way of enhancing Dan-Air's customer appeal, Mr Branson's is being used to help promote another refinancing of Davies & Newman.

The bottom line is that only a year after Davies & Newman was recapitalised with a £49.3m ($85m) share issue, it needs to line up another injection of cash. A press release from the company last weekend made clear that fund raising was necessary to secure the future of Dan-Air.

Davies & Newman says co-ordination of marketing and operational activities between Virgin and Dan-Air are an integral part of the fund-raising.

But Mr James will have to answer a question about how much cash Mr Branson is prepared to put in. One fund manager said yesterday: "We want to see hard cash on the table to warrant us going back to beleaguered funds saying we know this is risky but it is still a reasonable bet because x, y or z partner is sitting alongside Dan-Air." The partner's contribution could come through an equity injection and the taking on of some of Davies & Newman's debts.

Virgin has so far said it is mainly interested in supplying its brand name and marketing expertise to match the cash input from institutional investors. In other words, it would pay mostly in kind, rather than cash, for a 51 per cent stake in a new company called Virgin European Airways.

For instance, it would supply the Virgin name for no royalty payment. Investors would stump up hard cash for Davies & Newman's 49 per cent.

Virgin European Airways would be based on Dan-Air's network of scheduled routes. It would be repackaged to attract more business-class passengers. "Two extra business-class passengers on each of Dan-Air's flights would add £20m a year to turnover," says Mr Branson.

Such a boost is sorely needed because projections made by Davies & Newman at the time of the last refinancing have proved too optimistic. The 1992 pre-tax profit projection was for £20m; a recent broker's forecast was for a £7m loss.

Although the group says its overdraft is less than £3m, this is the peak post-summer season for cash; funds drain out through the winter. One fund manager said: "If you are not in a strong cash position at this time of year, the position will be awful in six months' time."

Davies & Newman's bank facility is £35m, but the company's declared need to refinance suggests this will not be sufficient to see it through the winter. It also has a bank covenant linked to the level of profitability in 1992. Although the facility runs until the end of 1993, a possible breach of this covenant means that the banking agreement needs to be renegotiated.

To solve the long-term financing need, some investors had hoped that Davies & Newman would either be bought by another airline – British Airways looked recently but walked away – or find a partner prepared to put in a large amount of money, which does not seem to be what Mr Branson is offering.

Some shareholders believe the group's strong position at Gatwick and its handful of Heathrow slots might be attractive to a US or Asian airline seeking access to Europe, to feed passengers into its long-haul flights.

Yesterday, investors said they were disappointed at the lack of overseas interest so far, and complained that Davies & Newman had not taken prompter action to raise cash by other means. One suggested that the group could have sold aircraft, renegotiated leases or sold its 50 per cent stake in one of Gatwick's two baggage handlers.

The institutions do not like the idea of coughing up further cash so soon after last October's rescue, especially as the share price has fallen well below the 50p rights issue price. In August the price fell to 11p. Yesterday's suspension price was 23p, at which the group's market value is £26m.

Whatever the financial element of Mr Branson's offer, Mr James can argue that the two airlines fit well together: Virgin specialises in long-haul routes and Dan-Air operates in Europe.

Some of Dan-Air's problems stem from the fact that it has no in-house tour operator to soak up its charter aircraft capacity. Virgin has its Virgin Holidays tour operator subsidiary. Both have bases at London's Gatwick airport so costs could be cut in reservations, administration, engineering and baggage handling.

But the reason that the two companies have little overlap is because Mr Branson's philosophy of how to run a profitable airline has so far avoided short-haul routes.

Virgin once flew from London to Dublin and to a then-obscure town in the south of the Netherlands called Maastricht. It stopped those services in 1988 to concentrate on long-haul.

The costs of flying short-haul are high: landing fees must be paid more often for each kilometre flown and the extra fuel used in more frequent take-offs and landings adds to overheads.

Some of the world's most successful airlines concentrate on long-haul. Hong Kong's Cathay Pacific and Singapore Airlines are among the world's most profitable carriers while the elaborately constructed "hub and spoke" networks in the US domestic market have not prevented airlines there suffering badly from over-capacity in the recession.

If the Virgin deal falls through, there is still hope that another airline would be interested in the feeder opportunities offered by Dan-Air's Gatwick-continental network. Slots at Heathrow are always highly sought after – BA would be particularly concerned to see these six slots go to its rival Virgin.

It would strengthen Mr James's bargaining power with Mr Branson if BA renewed its interest. Anything that could help him squeeze more money out of a potential partner would also strengthen his chances of persuading institutional investors to back a new plan – or the rescue of the rescue, as one put it.
Lex, Page 22

AGF falls 24% after overseas losses

By Alice Rawsthorn in Paris

ASSURANCES Générales de France (AGF), one of France's largest state-controlled insurers, reported a 24 per cent fall in net profits during the first half of this year because of the poor performance of its international insurance interests and one of its banking activities.

Mr Michel Albert, chairman, said the decline in interim net profits – from FFr1.83bn ($350m) in the first six months of 1991 to FFr1.4bn in the same period this year – should be seen in the light of the slowdown in the French economy and the "catastrophic" situation in the UK and Scandinavian insurance sectors.

The profits fall from AGF, the first of the big French insurers to publish its figures in the current interim results season, comes as the whole French insurance industry is under pressure because of the sluggish state of the domestic market, which has depressed demand for insurance products and affected the value of the insurers' industrial investments and property holdings.

AGF increased consolidated sales 11.5 per cent to FFr30.2bn during the first half because of strong growth from its interests outside France and from its reinsurance business.

Life insurance in France saw sales grow by 6.4 per cent to FFr9.5bn but made static profits of FFr1.05bn. The non-life insurance division saw net profits slip to FFr127m on sales up 9.9 per cent to FFr8.3bn. AGF has been one of the leaders among French insurers in raising non-life tariffs in an attempt to alleviate pressure on profitability. Mr Jean Daniel Le Franc, chief executive, said AGF should benefit from tariff rises in the second half.

AGF's activities outside France went into the red with a loss of FFr191m, compared with net profits of FFr8m, after sales growth of 17.2 per cent to FFr9.9bn.

The group, which recently won its fight to exercise its voting rights on its stake in AMB of Germany, fared well in Belgium and the Irish Republic, but suffered in Spain and Italy.

The reinsurance business moved back into the black with net profits of FFr44m from a loss of FFr1m. But AGF's banking and financial activities fared badly, moving from net profits of FFr104m into a loss of FFr58m.
Lex, Page 22

PowerGen prepares step into German electricity supply

By Neil Buckley in London

POWERGEN, the UK privatised generator, is preparing a bid to buy part of east Germany's lignite mining industry, with a view to generating power there.

The move would be PowerGen's first step into the German electricity supply industry.

The generator has signed a letter of intent with NRG Energy company, a division of Northern States Power of the US, to take over the Mitteldeutsche Braunkohle company (Mibrag) – one of two lignite producers being offered for sale by the Treuhand, the agency responsible for privatisation in eastern Germany.

"We are still at an early stage," PowerGen said, but added that it expected any bid to be made "fairly soon".

The Treuhand has said it hopes to sell east Germany's huge lignite industry, which employs 65,000 people, by the middle of next year.

PowerGen and NRG are understood to be looking at acquiring at least part of Mibrag's open-cast mines in the Leipzig area, with a view to constructing a two-block power station at Lippendorf with a capacity of 1,600 MW.

Although the size of the bid is undisclosed, German press reports have referred to likely investment of DM5bn ($3.30bn) in the power plant. Lignite, or brown coal, has a high sulphur content requiring costly pollution control equipment to be fitted to plants which burn it.

PowerGen/NRG is expected to face competition in its bid for Mibrag from a consortium of German energy companies RWE, Bayernwerk and Preussenelektra. The German consortium has already lodged a letter of intent to buy Laufitzer Braunkohle, the other lignite producer being sold by the Treuhand.

German electricity suppliers had initially ignored Mibrag because of its poor-quality coal. But a study carried out for PowerGen's partner NRG concluded that at least two of Mibrag's open-cast mines could be competitive even taking into account the high cost of desulphurisation of the brown coal.

A successful bid by PowerGen for Mibrag would strengthen the presence of privatised UK energy companies in eastern Germany. British Coal, the former monopoly supplier, already has stakes in gas distribution companies in Leipzig and Halle, and in a regional gas transportation company.

Glaxo drug wins French approval

By Paul Abrahams in London

GLAXO, Europe's biggest drugs group, yesterday received authorisation for Imigran, its new migraine treatment, to be used in France.

The authorisation follows a series of tense negotiations between Glaxo and French ministries about the safety, effectiveness and cost of the drug. Analysts believe the medicine, which had worldwide sales of £43m ($73m) last year, could become a "block-buster" with sales of more than $1bn a year.

The French ministry of social affairs had previously proved unwilling to agree the prices for Imigran required by Glaxo. The company has been anxious to secure a common price for Imigran throughout Europe, to avoid parallel importing by wholesalers from low-price countries to high-price markets.

The price agreed is understood to be FFr390 ($76) for a box of two injections. That compares with £41 ($70) for the same product in the UK. Glaxo refused to confirm the price, but said it was pleased with the progress during price discussions. The French government has traditionally set low pharmaceuticals prices to compensate for the large number of prescriptions issued by doctors.

The ministry of social affairs has agreed an accord with Glaxo to control state expenditure on Imigran. Patients' bills for the drug are to be reimbursed by the state at 70 per cent. Details were not given.

The aim of the accord is to ensure those who need the drug receive it, but that there is no explosion in the drug's use that might worsen the social security deficit. Some analysts have predicted the potential French market at more than FFr1bn. France is the world's fifth largest market for pharmaceuticals.

The licence is for the injectable rather than oral version of Imigran. The product, said the ministry of health, was not a miracle drug, but was superior to existing therapies. It was to be used when other treatments had failed.

The drug will be launched in January, when Glaxo will conduct a safety study of the first 10,000 French patients using Imigran.

Earlier discussions between Glaxo and the government over Imigran had been difficult. In April, Glaxo's president of French operations left the company after negotiations collapsed.
Market report, Page 32

ICI shares tumble 63p after profits downgrading

By Paul Abrahams in London

SHARES in Imperial Chemical Industries, the UK chemicals group, fell 63p yesterday to 1,145p following a profits downgrading by Hoare Govett, one of the company's brokers. The decline contributed to a 41 point fall in the FT-SE 100 index, which closed at 2,560.

Hoare Govett downgraded the stock from a "hold" to "overvalued". It is unusual for analysts to advise investors to sell shares in companies for which they are brokers.

Mr Martin Evans, chemicals analyst at Hoare Govett, said ICI's third quarter had been poor and there was limited room for improvement next year. He had downgraded ICI's full-year profits for 1992 from £780m ($1.2bn) to £620m because of continuing poor demand. He had expected ICI to make £1bn in 1993, but now forecast profits of £843m.

These downgrades were in spite of apparently favourable currency movements, said Mr Evans. ICI was dollar neutral, because although earnings from US operations were improved from a higher dollar, its dollar expenses were considerable, particularly for the raw materials of naphtha and oil. A fall in British interest rates had little impact on ICI because much of its turnover was outside the UK.

ICI had said demand was slow in July and very weak in August, said Mr Evans. Anecdotal evidence from September suggested little improvement.

ICI had been affected by poor demand for its petrochemicals businesses, particularly polypropylene and PVC. Volume and prices had both fallen. ICI uses BASF's polypropylene technology, and the German group said recently it was looking at acquiring ICI's polypropylene businesses.

In the group's life-sciences areas, the pharmaceuticals business was suffering competition to Tenormin, its best-selling heart drug whose US patents expired last year. Demand for agrochemicals tended to be weak in the second half of the year, but would be in losses for the third quarter, said Mr Evans. Speciality chemicals were also under pressure, he added.

He forecast that third-quarter pre-tax profits would be only £100m, compared with £196m last year for the same period. The downgrading follows a similar note by Crédit Suisse last week, according to ICI. However, this is the first recent downgrade by one of its own brokers. ICI's third-quarter results are due on October 29.

Market report, Page 32

Italian bank at centre of stake sale speculation

By Haig Simonian in Milan

BANCO Ambrosiano Veneto (Ambroveneto), Italy's biggest private-sector bank, yesterday had its second brush with Consob, the country's stock market watchdog, after continuing speculation about the sale of a significant stake by one of the bank's biggest shareholders.

The bank has still not formally admitted that a group of four co-operative banks from the Veneto region, which together form one of the five members of the shareholder "pool" which controls the bank, is planning to pull out. The disposal could upset the balance within the pool, which includes Gemina, the investment company dominated by Fiat, and Crédit Agricole of France. Each of the five main shareholders has 12 to 13 per cent of the bank and have right of first refusal should a pool member choose to sell.

Speculation of a sale by the Veneto banks have been circulating for weeks, but have been consistently denied by Ambroveneto. Meanwhile, the Veneto banks themselves have refused to comment. However, Mr Giovanni Bazoli, Ambroveneto's chairman, recently confirmed indirectly he had been made aware of their intentions. Mr Bazoli is believed to be in contact with other big shareholders about revising the pool.

Matters are complicated by the high price the Veneto banks are believed to be seeking for their stake. While their 13.6 per cent holding could be appealing to several of the current pact members, the cost is a marked disincentive.

Last week, Mr Antonio Pedone, the chairman of Crediop, a pool member, indicated his interest in the stake. Crediop was bought last year by Istituto Bancario San Paolo di Torino, which may see the stake as an indirect way of widening its branch network.

Crédit Agricole could also be a buyer, though an expansion of its stake may be subject to informal approval from the Bank of Italy.

A case of bad blood at the KIO

The Kuwait Investment Office has publicly criticised its former managers about operations mounted in Spain, writes Peter Bruce

THE war of nods and winks being waged by the new management of the Kuwait Investment Office (KIO) against operations mounted by their predecessors in Spain has broken out into the open.

In Madrid last week, the KIO publicly accused its former managers of failing to provide the Kuwaiti government with proper information on KIO investments in Spanish industrial companies and of breaking long-standing house investment regulations.

The accusations have a political edge. Kuwait faces a general election next week which pits the ruling Al-Sabah family against its merchant class critics. The KIO's new managers are sponsored by members of the Kuwaiti elite and the government, who accuse the Al-Sabahs of being wayward custodians of Kuwait's oil fortunes.

Soon after assuming power in May, the new managers stopped transfers of cash – $1bn was expected this year – to the Spanish companies, saying it had discovered they were in a far weaker financial condition than previously believed.

Last week, in a dramatic U-turn, the KIO leadership announced it would, after all, pump $1bn in cash into its troubled industrial empire in Spain and also convert $1.4bn owed by the KIO holding company in Spain, Grupo Torras, to KIO itself, into capital.

The capitalisation of this debt was first recommended to the Kuwaiti authorities last year by the international accounting firm, KPMG Peat Marwick. The same report, which has been treated with suspicion by the new managers because it was prepared before they took office in May, also recommended a Spanish cash injection of $1bn.

In the three months it has taken the new KIO management to arrive at the same broad conclusions as Peat Marwick, the Torras empire has been thrown into turmoil. Spain's biggest chemicals group, Ercros, of which Torras owns at least 40 per cent, is in receivership, along with a textiles affiliate.

And the property developer Prima is close to collapse, with total debts of nearly $700m.

Announcing the $1bn rescue – the funds will be concentrated on the papermaker Torras Papel, the foods group Ebro and the Amaya insurance company, with Prima's debt still to be negotiated – Mr Mahmoud al-Nouri, a Kuwaiti consultant advising the KIO management, openly attacked the previous managers.

"The money the KIO manages is like a pension fund and should be invested conservatively. In Spain, our investments have in some cases been speculative. We have taken management control of industrial operations, something which has not occurred in other countries.

"The government of Kuwait did not know what it had in Spain," Mr al-Nouri declares.

This is contentious. The KIO has owned the big UK property group, St Martins, since 1974, going far beyond, even then, orthodox pension fund investment. It also owns Autobar, the UK vending-machine maker, and once owned the Hays storage and transport group, also in the UK. The Kuwait Investment Authority (KIA), the KIO's supervisor, owns Georgetown Industries, a US steel group.

It was only in the second quarter of this year, Mr al-Nouri explained, "it became apparent that the health of the Torras was not just lightly indisposed. . . as the Kuwaiti government had been led to believe."

Mr Fouad Jaffar, general manager of the KIO until early 1990 and the man responsible for the $3bn invested in Spain, is a prime target of the KIO's accusations. But Mr Jaffar says: "We were very successful in Spain. We made huge profits." These were mostly taken offshore as stakes built up in Spanish targets.

"Kuwait was fully informed of what was being done in Spain. We sent monthly and quarterly reports to the Finance Ministry and the KIA. There were endless briefings. In no way was the Spanish venture a departure. I find the accusation strange and probably insulting to the Kuwaiti Finance Ministers who knew what we were doing. Mr al-Nouri obviously doesn't understand the regulations very well," Mr Jaffar declares.

According to a Torras spokesman, Mr al-Nouri had meant that the weight of the KIOs industrial investments in Spain was greater than elsewhere.

However, the bad blood continues to thicken. The KIO's lawyers, Stephenson Harwood, are understood to be investigating the actions of the former KIO management in Spain. Also, Mr Salah al-Maousherji, who resigned from the KIO last year after leading a much publicised and bitter rebellion of 11 Kuwaiti nationals in the agency's London headquarters against the policies of the old management during the Gulf war, has returned. He has just been appointed chairman of Grupo Torras' strategy and policy management committee.

It seems probable that the KIO's Spanish crisis will be comprehensively dealt with and that worried creditors, especially banks, will be paid off.

But not, perhaps, until the new management has its pound of flesh.

At the same time, it is quite likely that Torras' future in the longer term will depend on the result of the Kuwaiti election. If the Emir believes that he has won sufficient support to name a new finance minister, there could yet be further management changes at the KIO.

Total cautious on second-half prospects

TOTAL, the French oil company, remains cautious on the outlook for the second half of 1992 in view of continued low demand for oil, declining refining margins, over-capacity and currency fluctuations, Reuter reports from Paris.

Mr Serge Tchuruk, chairman, said he could not predict the performance for the remainder of year, but he indicated that third-quarter refining margins showed no improvement from the second quarter and were well below the level recorded in the same period last year.

Mr Tchuruk said the outlook for the rest of 1992 was "unpredictable" in view of the high level of capacity utilisation in Europe and a 5 per cent decline in demand for oil products.

Other factors accounting for Total's weaker first-half performance – half-year net profits tumbled 47 per cent to FFr1.9bn ($395m) – were the impact of freight losses on trading and the weakness of the dollar.

SME climbs to L42bn on increase in sales

By Haig Simonian

SME, the Italian public-sector foods group which is a leading privatisation candidate, raised net profits after minority interests to L41.8bn ($33.6) in the first half of this year from L33bn in the same period in 1991.

Sales rose by 8.5 per cent to L2,961bn, with an increase of over 12 per cent in food production and catering. Turnover in food retailing, SME's biggest single activity, grew by 5.2 per cent to L1,295bn.

The company warned that sales in the early months of the second half had indicated a downturn in consumption, implying that year-end earnings might not maintain the growth in the first half. Last year, SME's net profits rose by 4.8 per cent to L125.6bn.

Turnover in food production had been swollen by acquisitions, notably in fresh milk, an activity into which SME intends to expand. Catering sales benefited by the opening of new outlets, while retailing suffered from greater competition and a slight fall in consumption towards the end of the first half.

● Parmalat, the private-sector milk and dairy products group, raised group sales by 24.3 per cent to L803.3bn in the first half of this year from L646.2bn.

Net group profits after minority interests jumped by 47.6 per cent to L31bn from L21bn in the previous period, while operating profits rose by 18.8 per cent to L103.1bn from L86.8bn. Net group debt rose to L450bn from L428bn in the first half of last year, but fell as a proportion of group sales, while net financial charges fell by L600,000m to L33.1bn.

Parmalat forecast operating earnings for the full year should maintain their current pace. At the net level, it warned higher interest rates and special taxes could have an impact currently difficult to foresee. Turnover was lifted by organic growth and acquisitions, which contributed around L50bn in new sales in the first half.

Clabecq to restructure

FORGES de Clabecq, the Belgian steel group, plans a restructuring exercise, having failed to reach agreement in its partnership talks with Usinor-Sacilor, the French steel company, Reuter reports.

Clabecq, which ran up higher losses for last year, said the board approved the restructuring measures as "absolutely indispensable" provided they could be implemented without delay. But the board added it was necessary to make a further study of certain facts on which the plan was based. Clabecq said its financial situation would not improve without the measures it planned to take.

For the year to end-June, Clabecq made a net loss of BFr1.9bn ($62m), up from BFr836m in the previous 12 months. The company said the performance was due to lower productivity in the first-half and weak global steel prices.

Clabecq said stoppages for modernisation and upgrading at its blast furnace hit production during the first half of the year. But the situation improved slightly during the second half with prices rising.

First-half fall at Publicis

By Alice Rawsthorn

THE slowdown in the European advertising industry has taken a toll on Publicis, one of France's largest marketing services groups, which yesterday announced a fall in first-half profits.

Publicis, which owns the French advertising agency of the same name and has been expanding its interests across Europe, saw net profits fall by 13 per cent from FFr73m ($14.6m) in the first six months of 1991 to FFr65m in the same period this year. Sales rose by 5 per cent from FFr10bn to FFr10.5bn.

Publicis, in common with other French advertising agencies, has been affected by the slowdown in media expenditure reflecting the sluggish state of France's economy.

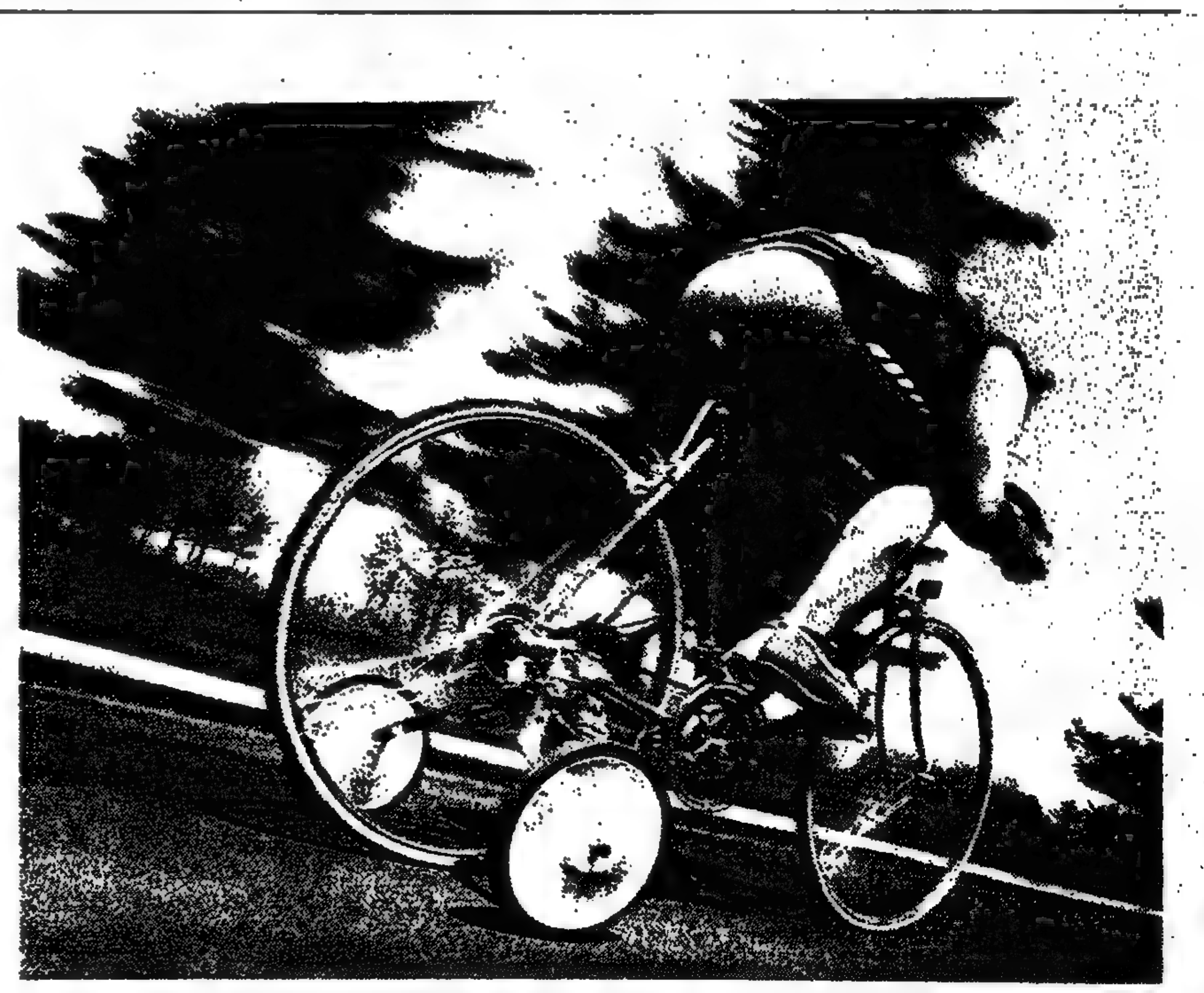
The French advertising scene has also been clouded by controversy over the government's review of the media buying system. Mr Michel Sapin, finance minister, faced criticism from within the industry for his plans to regulate media buying and later unveiled a revised package.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.72	17.76	17.76
0100	17.72	17.76	17.76
0130	17.72	17.76	17.76
0200	17.72	17.76	17.76
0230	17.72	17.76	17.76
0300	17.72	17.70	17.70
0330	17.72	17.70	17.70
0400	17.72	17.70	17.70
0430	17.72	17.69	17.69
0500	17.72	17.69	17.69
0530	17.66	17.69	17.69
0600	17.69	17.56	17.56
0630	[illegible]	17.56	17.56
0700	22.42	[illegible]	17.76
0730	25.03	17.90	17.90
0800	27.81	19.78	19.78
0830	27.76	23.42	[illegible]
0900	[illegible]	24.18	26.01
0930	27.51	24.97	27.39
1000	27.61	[illegible]	27.55
1030	27.51	[illegible]	27.60
1100	[illegible]	[illegible]	27.82
1130	25.39	25.14	27.52
1200	25.39	24.99	27.36
1230	25.39	[illegible]	27.59
1300	25.39	25.14	[illegible]
1330	25.39	24.96	27.35
1400	21.80	24.18	26.54
1430	21.80	24.18	26.54
1500	21.38	24.18	26.54
1530	25.39	24.18	26.54
1600	25.39	24.18	26.54
1630	25.39	24.18	26.54
1700	25.39	[illegible]	26.55
1730	25.39	24.84	27.21
1800	25.39	24.84	27.22
1830	[illegible]	23.20	25.56
1900	22.00	23.30	25.56
1930	29.97	21.59	21.59
2000	29.97	20.98	28.03
2030	29.97	23.20	25.50
2100	29.97	23.20	26.56
2130	29.97	24.89	[illegible]
2200	25.39	23.20	25.57
2230	23.58	23.50	25.40
2300	23.58	[illegible]	25.31
2330	21.25	17.79	17.79
2400	17.72	17.86	17.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg [illegible] becomes [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.

©NGC Settlements Limited 1992



NOTICE
TO THE HOLDERS OF
8% SENIOR SUBORDINATED CONVERTIBLE DEBENTURES DUE DECEMBER 31, 1998
OF
READING & BATES CORPORATION

Reading & Bates Corporation (the "Company") hereby gives notice, pursuant to Sections 12.04 and 12.06 of the Indenture dated as of August 29, 1988 (the "Indenture") between Reading & Bates Corporation, and IBJ Schroder Bank & Trust Company, as trustee, to the holders of the 8% Senior Subordinated Convertible Debentures due December 31, 1998 (the "Debentures") issued under the Indenture, that the Company has approved a one-for-five reverse stock split of its common stock par value $0.05 per share (the "Common Stock") which is expected to become effective on October 2, 1992 (the "Effective Date"). Stockholders may exchange their certificates representing shares of Common Stock for certificates representing the post-split Common Stock beginning on the Effective Date. As of the Effective Date, the Debentures shall be convertible into Common Stock at a conversion price of $37.035 per share, such conversion price having been adjusted pursuant to Section 12.04(a) of the Indenture.

READING & BATES CORPORATION

NOTICE
TO THE HOLDERS OF
8% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1995
OF
READING & BATES ENERGY CORPORATION N.V.
(a subsidiary of Reading & Bates Corporation)

Reading & Bates Corporation (the "Company") hereby gives notice, pursuant to Sections 11.04 and 11.06 of the Indenture dated as of December 1, 1980 (the "Indenture") between Reading & Bates Energy Corporation N.V. Reading & Bates Corporation, and the United States Trust Company of New York, as successor trustee, to the holders of the 8% Convertible Subordinated Debentures due 1995 (the "Debentures") issued under the Indenture, that the Company has approved a one-for-five reverse stock split of its common stock par value $0.05 per share (the "Common Stock") which is expected to become effective on October 2, 1992 (the "Effective Date"). Stockholders may exchange their certificates representing shares of Common Stock for certificates representing the post-split Common Stock beginning on the Effective Date. As of the Effective Date, the Debentures shall be convertible into Common Stock at a conversion price of $9.00 per share, such conversion price having been adjusted pursuant to Section 11.04(a) of the Indenture.

READING & BATES CORPORATION

DKB moves staff to help restructuring at Kankaku

By Robert Thomson in Tokyo

DAI-ICHI Kangyo Bank, Japan's largest commercial bank, is planning to dispatch staff to Kankaku Securities as part of a restructuring programme begun by the troubled second-tier broker.

The move by DKB is an indicator of closer ties between medium-sized Japanese brokers and their patron banks, which may receive approval next year to enter the securities business. The banks consider that these links to brokers will provide longer-term opportunities for expansion.

Meanwhile, Japan's Ministry of Finance yesterday announced a relaxation of the formula used to calculate brokers' capital adequacy. It will allow brokers to count subordinated loans as capital and has eased assessment guidelines on publicly-traded shares and operating costs.

Most brokers have reported a sharp fall in their capital ratios over the past year, and the ministry's decision will allow them to avoid embarrassment for the first half, ending this month.

By the ministry's standards, warning signals are triggered when the capital ratio passes below 200 per cent; brokers with 150 per cent or less are forbidden from opening new branches; and the ministry is supposed to begin daily monitoring of a broker at 120 per cent.

At the end of March, three of Japan's 14 largest brokers were below 200 per cent – Sanyo Securities, Cosmo Securities, and Yamatane Securities – while Kankaku reported a ratio of 212 per cent, down from 240 per cent in the previous year.

The ministry, attempting to restore public confidence in the industry, said the new standard for calculating operating costs – 25 per cent of the preceding 12 months' costs, instead of 25 per cent of the previous financial year – would reflect the brokers' attempts to reduce expenses in recent months.

None of Japan's top 14 securities houses expects to make a profit in the first half, and several of the 10 second-tier brokers have announced restructuring plans, including Yamatane Securities, which is receiving staff and assistance from Sakura Bank.

While Kankaku has indicated that its 5,300 staff will be reduced by 20 per cent, the company is still expecting a Y18bn ($146m) loss for the first half. Like other second-tier brokers, it is burdened by heavy investments in computer systems far beyond its requirements.

As part of the assistance package, DKB is likely to share the costs of a Y45bn computer centre commissioned by Kankaku in the late 1980s, when the company had visions of challenging the leading Japanese brokers. Badly bruised by weak prices and turnover on the Tokyo market, the company has dropped those ambitions and is now planning to close branches.

DKB is also considering a proposal to employ some of Kankaku's systems engineers in its own subsidiaries, as well as sending managers to the brokerage, possibly including a member of the bank's board, a move that would strengthen the relationship between the two institutions.

Earlier this month, Kankaku announced the promotion of Mr Yoichiro Kato, vice-president, to the presidency with effect from October 1, as part of the brokerage's rationalisation plans. Mr Kato was sent to Kankaku from DKB in June 1991 to take up the post of vice-president.

Baring subsidiary plans merger in Australia

By Kevin Brown

THE Australian subsidiary of Baring Securities, the UK broking house, is to merge with McIntosh Securities, a listed Australian broking group, in a further working out of overcapacity in the Australian stockbroking industry.

Mr Bruce Parncutt, McIntosh managing director, said the merger was subject to ratification by both boards of directors plus regulatory and other approval.

Mr Peter Meurer, managing director of Baring Securities (Australia), said it was "clear that the financial community was sending us a message by cutting broking rates".

The merger follows a number of closures and mergers which have reduced employment in the Australian broking industry to about 4,000 from more than 7,000 in 1987-88.

Barings Plc, Baring Securities' parent, reported a fall in first-half pre-tax profits to £11.8m from £24.3m.

Barings said its securities arm had reported a loss for the first time, mainly because of losses in Japan.

ANI reports A$66.6m loss after Spedley group collapse claim

By Kevin Brown in Sydney

AUSTRALIAN National Industries (ANI), has reported a plunge into net losses of A$66.6m (US$48.2m) for the 12 months to June, from net profits of A$77.5m a year earlier.

The figure included an abnormal loss of A$76m, mostly relating to the settlement of a A$900m claim by the liquidator of the collapsed Spedley group.

Mr Ted Harris, chairman, said ANI would pay A$22m to the liquidator following an out-of-court settlement. The group will also write off A$28m in payments due from Spedley, raising the cost of the settlement to A$50m.

ANI also reported a tax bill of A$81m, compared with A$10m in the previous year, after providing for the full cost of a dispute with the Australian taxation office over the treatment of Spedley-related losses.

ANI, a heavy engineering and manufacturing group, owned 45 per cent of the Spedley Securities finance group until 1989, when its holding was sold to Mr Brian Yuill, Spedley's managing director. The group collapsed later the same year.

Mr John Harkness, the Spedley liquidator, claimed ANI was partly responsible for the collapse because of its failure to prevent alleged negligence and dishonesty by Mr Yuill, who faces criminal charges in connection with the collapse.

Mr Harris said ANI, which denied responsibility, had agreed to settle the claim to bring an end to the uncertainty surrounding the group and the drain on management time.

The settlement was within the range expected by the financial markets. However, analysts were surprised by a reduction in the final dividend to 3.7 cents from 6 cents a year earlier, bringing the full-year payment to 9 cents, fully franked, down from 11.3 cents.

ANI said the reduced dividend related to economic weakness in Australia and the UK. The group said there was no sign of a recovery in business activity in Australia.

Sales fell to A$1.16bn from A$1.3bn. ANI's shares dropped by 4 cents to A$1.71 on the Australian Stock Exchange.

Dice tumble in Kuala Lumpur over whether Chinese will play

By Kieran Cooke in Kuala Lumpur

THERE is little the Chinese like more than a gamble. In Malaysia these days, it's a case of a gamble on a gamble.

Two companies listed on the Kuala Lumpur stock exchange, Magnum and Dunlop Estates, have been involved in protracted negotiations with the authorities in Guangdong province, southern China, to set up a joint venture lottery.

The people of Guangdong and elsewhere in China have been denied a legal flutter for many years. If the Magnum/Dunlop venture comes off there could be very handsome profits indeed.

But *if* is the word. Both Magnum and Dunlop are part of Multi-Purpose Holdings, one of Malaysia's biggest conglomerates, run by Mr Lim Thian Kiat, a 32-year-old Malaysian Chinese entrepeneur, who controls one of Malaysia's main lotteries through Magnum.

Investors were queuing up to take a gamble on Mr Lim's gambling venture in China. This month, both Magnum and Dunlop requested a temporary suspension from the KLSE, apparently to avoid widespread speculation in their shares.

Two weeks later, Mr Lim announced that, in principle, the Guangdong authorities had approved the project and requested that the suspension of the Magnum/Dunlop shares be lifted. In an unusual move, the KLSE refused. It wanted to know more about the status of the Guandong venture.

Heavy rumours swept the Kuala Lumpur market about large blocks of Magnum and Dunlop shares being traded off course – outside the KLSE. Mr Lim came up with some guarded answers.

Mr Lim said that, while Guandong had approved the project, other relevant authorities, presumably in Beijing, still had to give their endorsement. Little else was given away as, according to a Magnum/Dunlop statement, additional information could jeopardise "corporate and business objectives".

The KLSE relented and, in the middle of last week, allowed trading in Magnum and Dunlop to resume. While analysts expected a drop in share price, the opposite happened. Shares in both companies made gains, though traders were somewhat mystified as to who was buying.

Yesterday, shares in both Magnum and Dunlop fell in heavy trading. The gamblers are still there, still waiting to see whether their gamble on a gamble in China will eventually come off.

Hallenstein Glasson rises 70% on improved turnover

By Terry Hall in Wellington

HALLENSTEIN Glasson, the New Zealand men's wear chain, has reported a 70 per cent rise in net profits to NZ$6.8m (US$3.7m) for the 12 months to August 1, up from NZ$4.04m.

The directors said the new year had begun "very well", with the company overcoming poor weather which meant slow sales of spring fashions.

Despite this, sales for August and September were running 20 per cent ahead of last year. However "early season sales volumes are traditionally lower than later months, making growth of this magnitude difficult to maintain throughout the summer season," they said.

Sales for the year advanced to NZ$123.01m from NZ$109.96m.

Korea approves open-ended $10m investment trust

SOUTH Korea's Finance Ministry has approved a US$10m open-ended investment trust by Korea Investment Trust for foreign investors, Reuter reports.

The five-year trust is expected to be expanded to $30m, with investment spread over the Seoul stock market (80 per cent), the won call market and certificates of deposit.

US brokers reap record $5.1bn in underwriting fees

By Patrick Harverson in New York

WALL Street securities firms earned $5.1bn in underwriting fees during the first three quarters of the year as corporations rushed to take advantage of low US interest rates by issuing record amounts of new debt and equity.

The explosion in underwriting business means that Wall Street has earned more in the first nine months of this year than the record $5bn it made in the entire 12 months of 1991.

According to preliminary data released yesterday by Securities Data in New York, US securities houses underwrote a total of $658bn in domestic debt and equity from January to the end of September, $70bn more than in all of the previous year.

A total of $236bn of straight corporate debt was sold to the market in the first three quarters, of which the most striking aspect was the extraordinary growth in junk bond issues.

More than $30bn of high-yield debt was sold during the period, and at some time over the next few weeks the record set during the height of the junk bond boom, the $31.9bn issued in 1986, should be shattered.

Companies continued to raise large amounts through stock issues. More than $56.5bn has been issued to date, the bulk of it via initial public offerings (IPOs) of stock.

The IPO market, however, may have peaked. Of the 432 companies that have gone public this year, only 18 came to the market in September, the lowest total since March 1991.

Moreover, almost half of the 90 IPOs launched in the past three months were eventually priced below their initial filing ranges, an indication that investor-demand is waning.

Issues of mortgage-backed securities, the fastest growing segment of the debt market, reached $303bn by the end of September, easily beating the annual record of $251bn set last year.

The issuance of asset-backed securities, however, slowed to $32.6bn.

Westcoast Energy in C$600m takeover

By Bernard Simon in Toronto

WESTCOAST Energy of Vancouver is set to become Canada's biggest natural gas utility with its proposed C$600m (US$487.8m) acquisition of Ontario-based Union Energy. Westcoast yesterday unveiled an offer of C$16 cash or one Westcoast share for each Union share.

Union's present controlling shareholder, Union Holdings, has already agreed to tender its 60 per cent stake in the utility.

The addition of Union will give Westcoast over a million customers, putting it ahead of Consumers Gas, the Toronto-based utility controlled by British Gas.

Westcoast said its offer was conditional on at least two-thirds of Union's shares being tendered. It plans to acquire all remaining Union shares "as soon as possible" after expiry of the offer. Regulatory discussions are expected to be completed within a week.

The planned acquisition marks a major expansion by Westcoast into the central Canadian market. Its business is presently centred on the west coast, mainly in the form of a pipeline network which carries gas to British Columbia and several US states.

Union's customers are centred in south-western Ontario close to the US border. Mr Michael Phelps, Westcoast chief executive, said yesterday that one of Union's attractions was its location at the interconnection of several Canadian and US gas pipelines.

Westcoast, which is a widely-held company, said that it had arranged a two-year bridging loan with two Canadian banks.

More permanent financing for the Union acquisition is expected to come from C$200m in asset sales, mainly by disposing of part of its stake in wholly-owned oil and gas producer Westcoast Petroleum. Westcoast said it also planned to issue equity "as market conditions permit".

Goodyear sees improvement

By Alan Friedman in New York

GOODYEAR, the last surviving large US-owned tyre company, said it expected to achieve third-quarter earnings higher than the $1.01 per share recorded in the same period last year.

The Akron-based Goodyear, which also said its chief financial officer resigned yesterday, forecast another quarterly sales record, with total revenues coming at around the second quarter level of more than $3bn. In the third quarter of 1991, Goodyear earned $59.1m on sales of $2.8bn.

Goodyear said its improved third-quarter results had been helped by cost containment, the successful introduction of new products, improved productivity and a strengthened distribution network.

On Wall Street, investors seemed unimpressed at the prospect of only slightly better third-quarter revenues from Goodyear, and marked the company's share price $1⅛ lower to $57⅞.

Mr Oren Shaffer, the Goodyear chief financial officer, will meanwhile resign from his position on Thursday "to pursue other interests".

He will be replaced by Mr Samir Gibara, a vice-president of strategic planning and business development.

● Goodrich, the aerospace and specialty chemicals company that in 1988 sold off its tyre division, said its third-quarter earnings would be significantly below market expectations.

The Ohio company said it was likely to report only a modest profit for the quarter. Analysts had been expecting Goodrich to earn $10m, or 30 cents a share. But Goodrich said the earnings would be well below the second quarter's $13.1m, or 43 cents a share.

Mr John Ong, chairman, said the specialty chemicals and polyvinyl chloride businesses depended in large measure on the strength of the US economy.

Pacific Enterprises sale to net $275m

PACIFIC Enterprises, the US utility group, has completed the sale of all of its retailing operations, which comprise its Thrifty Corp unit and Big 5 Sporting Goods chain, to investment groups led by Leonard Green & Partners, AP-DJ reports.

The company said the sale of Thrifty and Big 5 would result in net proceeds, together with related tax benefits, of about $275m. Thrifty and Big 5 have combined revenues of about $3bn.

Leonard Green & Partners is an investment firm based in Los Angeles that specialises in management buy-outs.

In addition to the sale proceeds, which are to be used to pay down Pacific Enterprises' debt, the company said it received warrants that will allow it to participate in future increases in the value of certain of the retailing operations.

Pacific Enterprise said the sale of the retailing operations was part of a strategic plan to refocus on its core utility business. The restructuring calls for the removal from non-utility businesses and refocusing on Southern California Gas, a natural gas distributor.

Pacific Enterprises said its next priority was to quit the oil and gas exploration and production business.

Abeles hands over helm at TNT

By Kevin Brown in Sydney

TNT, the Australian transport group, yesterday said Sir Peter Abeles had resigned as managing director after 25 years at the helm of the company he co-founded in 1967. He will be replaced by Mr David Mortimer, finance director.

Mr Fred Millar, chairman, said Sir Peter wanted to concentrate on running Ansett Transport Industries, the loss-making Australian airline group co-owned by News Corporation, Mr Rupert Murdoch's media group.

However, officials said Sir Peter, 68, was "immensely tired" after guiding the group through a difficult period in which it has reported two consecutive annual net losses of almost A$200m (US$145m).

Analysts said the surprise announcement would help remove uncertainty about the group's operational and financial strategy. Mr Mortimer was widely regarded as Sir Peter's most likely successor.

Sir Peter said six months ago that he planned to resist pressure from the markets for a change of top management, which began after the group's shares slipped to a low of 75 cents in January last year.

The shares recovered to nearly A$2 early this year but have fallen to around A$1 recently as concerns about the group's debts and recovery prospects have re-emerged.

Sir Peter: To concentrate on Ansett Transport

Mr Millar said Sir Peter would retire from the boards of all TNT's overseas companies and associates, including GD Net, the express mail joint venture formed this year with a number of European post offices. He will remain deputy chairman of TNT and joint chairman and managing director of Ansett.

Mr Millar said Sir Peter had spent "an immense amount of time and effort" during the past 18 months attempting to steer TNT through economic recession in its main markets in Australia, North America and the UK.

Sir Peter played a key role in refocusing the group's activities around express deliveries and commercial distribution, which required significant rationalisation and the disposal of non-core activities, including significant stakes in Foster's Brewing Group and Normandy Poseidon, the Australian resources group.

Sir Peter was also involved in negotiations on the formation of the GD Net joint venture, which the group hopes will stem losses incurred by its European air express operations.

TNT lost a net A$195m in 1991-92, but claimed it was "in a strong condition to return to its previous profitability", in spite of the gloomy international economic outlook.

Sir Peter, who emigrated to Australia from Hungary after the Second World War, started his first transport business with one truck in 1950, and was appointed managing director of TNT when the group merged with his company in 1967.

The group grew rapidly during the 1980s, from revenue of A$1.7bn in 1984 to a peak of A$6.6bn on an equity accounted basis last year. It employs 52,000 staff in 182 countries.

However, the group ran into trouble in 1989 when investors began to worry about debts incurred to finance expansion. There were also concerns about the group's entrepreneurial nature and its close relationship with News Corp, which was then struggling to cope with severe financial problems.

Sir Peter made several dramatic moves into new markets such as express delivery and logistics.

In his most spectacular deal, Sir Peter bought five years' production of the British Aerospace 146 Quiet Trader, amounting to 72 aircraft at A$30m each, effectively cornering the market in the aircraft, regarded as most suitable for European air express operations.

Sir Peter was also happy to take risks with political and labour relations – TNT's biggest breakthrough in the UK came when the group's trucks carried Mr Murdoch's newspapers through the picket lines at News Corp's non-union printing plant in London.

Apple slashes prices in US

By Louise Kehoe in San Francisco

APPLE Computer slashed US prices for its Macintosh personal computers by up to 36 per cent yesterday in a bid to increase its share of the market and keep pace with rapidly falling prices in the IBM-compatible segment.

"This year Apple has seen solid gains in market share, unit share and overall revenue growth while many of our competitors have struggled to maintain their position," said Mr Bob Puette, president of Apple's US division.

"We intend to continue our offensive posture by attracting new customers through aggressive pricing," he added.

The sharpest price reductions are on low-end desktop versions of the Macintosh. Apple lowered the price of its entry level Macintosh Classic II , for example from $1,699 to $1,079. Prices on other models were lowered by 11 to 35 per cent. Apple did not, however, reduce prices on its Powerbook portable computers.

The prices published by Apple are "suggested retail prices" but in practice actual "street" prices are substantially lower. Even before these price cuts the Macintosh Classic II, for example, was selling at CompUSA, the largest US computer superstore chain, for under $1,000.

Industry analysts noted that Apple's price reductions follow those of several competitors and that Apple needed to act to keep its computer prices competitive. Apple said recently its strategy of going after increased market share by lowering prices would probably reduce gross profit margins to below 40 per cent of net sales in fiscal 1993.

Although yesterday's price cuts apply only in the US, the company generally keeps international prices to within 10 to 15 per cent above those in the US. Taking currency fluctuations into account, price reductions in Europe will probably be smaller than in the US.

SCS Holding hit by currency trading

By Hilary Barnes in Copenhagen

SCS Holding, a Danish group trading in steel and building materials, suspended payments yesterday after its finance unit sustained a DKr700m ($122m) loss on currency trading.

Two of the group's biggest creditors are Unibank, which said yesterday its total exposure was DKr300m-500m, and Danske Bank, with DKr150m-175m at stake.

The two banks and SCS said the steel trading group has been reorganised, with the banks converting claims on the company into equity capital.

INTERNATIONAL CAPITAL MARKETS

Japanese paper lifted by continued strength of yen

By Sara Webb in London and Patrick Harverson in New York

THE continued strength of the yen against the US dollar helped lift Japanese government bonds, which ended the day above Friday's close.

Bonds rallied as the dollar fell below Y120 in Tokyo, since a strong yen means it is easier for the Bank of Japan to lower interest rates. The US currency traded at around Y119.45 in London.

GOVERNMENT BONDS

The yield on the benchmark No 145 issue opened at 4.78 per cent and moved to 4.77 per cent on yen strength. It ended the day at 4.785 per cent, against Friday's close of 4.80 per cent. Volume in the cash market was average, with dealers accounting for most of the activity.

The strengthening of the yen is partly accounted for by the flight of Japanese capital out of Europe and back to Japan ahead of the end-September book-keeping.

Mr Ian Rosser, economist at Nomura International, points out that it is "unlikely that this flow will be reversed until the situation in Europe becomes clearer and the US presidential election is out of the way – consequently the yen should strengthen further." Tomorrow, the Ministry of Finance is due to auction about Y800bn of 10-year bonds. Traders expect a re-opening of the No 151 issue, with a coupon of 5 per cent.

■ GERMAN government bonds drifted lower, with dealers complaining the market had been overbought on Friday on talk of a two-speed Europe whereby Germany, France and the Benelux countries would move more quickly towards Emu. EC finance ministers were quoted last night as firmly rejecting the possibility of a two-speed Europe.

The Liffe bund futures contract opened at 90.69, close to the high of the day of 90.71, and drifted down to a low of 90.28. The futures contract ended at around 90.34, and volumes were below average.

Dealers said the market ignored fairly favourable inflation figures from the state of Bavaria, where the cost of living climbed 0.2 per cent in the month to mid-September, giving a year-on-year rise of 3.9 per cent.

■ FRENCH government bonds ended lower in spite of a strengthening of the French franc. Wholesale money market rates remained high, even though the franc recovered to reach 3.3690 to 3.3700 per D-Mark, closer to its EMS pivot of 3.35386 than the 3.4305 floor.

■ SPANISH government bonds ended lower as the peseta continued to hug the floor of its fluctuation band in the ERM.

Dealers said the Spanish market spent yesterday waiting for the outcome of the EC finance ministers' meeting in Brussels.

The 10-year government bond fell from 85.50 to 84.90. Dealers said foreigners continue to shun the Spanish bond market following the introduction of capital controls last week. They were intended to hit currency speculators, but increased funding costs for buyers of Spanish bonds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.6642	+1.836	8.84	8.94	8.75
BELGIUM		8.750	06/02	100.8500	-0.050	8.61	8.63	9.08
CANADA *		8.500	04/02	104.7300	-0.600	7.80	7.29	7.38
DENMARK		9.000	11/00	98.8900	-0.075	9.57	9.32	8.75
FRANCE	BTAN	8.500	03/97	99.1761	-0.355	8.70	8.82	8.81
	OAT	8.500	11/02	99.7800	-0.780	8.52	8.63	8.11
GERMANY		8.000	07/02	102.3750	-0.430	7.58	7.51	7.80
ITALY		12.000	05/02	80.3560	-0.480	14.32†	13.68	13.89
JAPAN	No 119	4.800	06/99	100.3829	+0.077	4.72	4.64	4.74
	No 145	5.500	03/02	104.6819	-0.001	4.78	4.82	4.94
NETHERLANDS		8.250	09/02	102.5200	-0.300	7.86	7.87	8.33
SPAIN		10.300	06/02	84.7500	-0.675	13.14	12.57	12.79
UK GILTS		10.000	11/96	105-08	+9/32	8.47	8.65	9.09
		9.750	08/02	105-08	+10/32	8.93	9.14	8.84
		9.000	10/08	98-00	-	9.24	9.28	9.34
US TREASURY *		6.375	08/02	100-05	+14/32	6.35	6.61	6.56
		7.250	08/22	98-28	+7/32	7.34	7.42	7.38
ECU (French Govt)		8.500	03/02	95.1000	-0.360	9.29	9.28	9.63

London closing. * New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

■ HOPES of a base rate cut helped to support short-dated UK government bonds yesterday, while inflation fears pushed long-dated gilts lower.

Among short-dated issues, the 10 per cent gilt due 1994 firmed from 102⅝ to 102¾ to yield 8.13 per cent.

At the long end of the market, the 9 per cent gilt due 2008 fell from 98¾ to 98⅛ to yield 9.23 per cent.

Index-linked issues continued to gain from doubts about the government's anti-inflation resolve with the 2½ per cent index-linked issue climbing from 99⅛ to 99⅜.

■ US Treasury prices firmed yesterday on hopes of an interest rate cut in the wake of last week's bad economic news.

In late trading, the benchmark 30-year government bond was up ⅛ at 98¾, to yield 7.337 per cent. The two-year note was also slightly firmer at the halfway mark, up 1/16 at 100 11/16, yielding 3.771 per cent.

Ministers bid for places in single currency fast lane

By Simon London

EUROPEAN finance ministers yesterday publicly rejected the idea of a two-speed approach to monetary union, but governments are placing bids to participate in the "fast track" towards a single currency.

However, as Mr Bertie Ahern, Irish finance minister, yesterday reminded his continental European counterparts, Ireland was one of only a few EC members to meet the Maastricht targets. The Maastricht treaty envisaged a period of economic convergence leading up to formal currency union by the year 2000. Only countries which met the criteria would proceed to a single currency.

Yet most of the economies tipped to participate in a closer monetary union – not least Germany – are running annual budget deficits well in excess of the 3 per cent of gross domestic product laid down by the treaty.

Belgium's budget deficit is likely to total 5.5 per cent of GDP this year, almost twice the Maastricht limit.

In contrast, Denmark's participation in any core group is uncertain, even though economic convergence on many measures has been achieved. Inflation averaged only 2.4 per cent last year, and the current account shows a healthy surplus. However, the Danish electorate's rejection of Maastricht in June leaves the country in an awkward position.

"There is no illusion about Denmark having much independence from Germany in terms of monetary policy already, but there is no political mandate for moving to currency union," said Mr Kit Jukes, economist at Warburg Securities.

The Danish government is expected next month to unveil a revised plan for winning electoral approval of the Maastricht treaty. The country's participation in any future moves toward European integration, let alone a fast track a single currency, will turn on the result.

However, analysts are cautious about predicting windfall gains in the bond markets of any countries which do embark on the fast track towards monetary union. Yields will probably converge with the German bund market, but in many cases from very low levels.

Moreover, some premium over German yields may still be necessary. In particular, investors may demand a "liquidity premium" from bond markets smaller than the bund market. This does not imply that the smaller markets are difficult to trade. Belgium reformed its bond market two years ago precisely to improve liquidity.

However, big international investors are likely to allocate cash to bunds ahead of smaller European markets and bund yields may be consistently lower as a result, even if currency risk is removed by currency union or system of fixed exchange rates.

If international investors do still favour the bund market, the smaller markets may suffer from the failure of their own governments to meet the Maastricht criteria on public sector borrowing.

For example, the yield spread of Dutch bonds over bunds, which tends to fluctuate between 20 and 30 basis points at the 10-year maturity, often widens in periods of high government borrowing.

The Dutch government's deficit is likely to be around 3.75 per cent of GDP this year, proportionately higher than that of Germany.

Analysts also warn that high government borrowing in Germany could still damage the returns from bond markets tied to the German market in currency union.

While the Bundesbank is expected to cut short-term interest rates as the economy slows, longer-term bund yields are sensitive to concerns about inflation and supply of new bunds.

Lower yield spreads over the German market could come about through higher bund yields.

US futures exchanges poised to compete with swaps markets

By Laurie Morse in Chicago

US FUTURES exchanges could soon be competing with the over-the-counter swaps markets, following a long-awaited decision last week on the regulation of US futures markets. A US House and Senate conference committee approved legislation stating swaps fall outside the remit of the Commodity Futures Trading Commission (CFTC), the futures regulator.

The resolution, expected to be approved by the full House and Senate this week, is part of a bill defining the powers of the CFTC and toughening US futures industry regulation.

The regulatory exemption removes a significant threat to the OTC swaps markets, as well as creating opportunities for futures exchanges. Mr William O'Connor, Chicago Board of Trade (CBOT) chairman, said his exchange was poised to begin trading swaps electronically on an in-house daytime trading system: Project A. The system, which goes on line in mid-October, is a testbed for products which might not otherwise attract enough interest to warrant pit trading. Other exchanges are satisfied that OTC trading contributes substantial volume to their futures contracts, and are not anxious to enter competitive products. "We have no plans to begin swap trading," the New York Mercantile Exchange (Nymex) said. Nymex extended delivery periods for its crude oil futures contracts to 36 months to meet demand from hedgers. The Chicago Mercantile Exchange (CME) says billions of dollars of currency and interest rate swaps are priced in the CME Eurodollar futures pit every year. Like the Nymex, the CME has extended Eurodollar futures delivery, although to five years to accommodate the swap industry.

Meanwhile, last week's decision removed a potential problem for the burgeoning swaps industry. US futures exchanges had argued swaps were a type of future, and should be subject to CFTC regulation. Under current rules, futures traded outside US futures exchanges are illegal and unenforceable. Swaps comprise a market in excess of $4,000bn a year according to the International Swap Dealers Association. The business has exploded since 1987, when companies discovered they could exchange interest rate and currency risks through long-term contracts and trading firms found a niche as market makers.

Danish $500m issue offers another test for unsettled fixed-rate dollar sector

By Richard Waters

THE latest test of the unsettled fixed-rate US$ sector of the international bond market is expected as early as today, as Denmark steps in to borrow $500m.

INTERNATIONAL EQUITY ISSUES

After the difficulty with which the market has digested large dollar issues from Spain and Ontario in the past fortnight, the reception accorded Denmark's issue of five-year bonds could provide an important pointer for what other borrowers can expect in the weeks ahead.

Late yesterday, bankers in London said that the Denmark issue had been aggressively bid for, with the mandate likely to be awarded to a bank which quoted a spread of close to 30 basis points over US Treasuries, compared with the 55 basis points paid by Spain for its seven-year issue.

The Danish deal has exposed widely different opinions among bankers about the current state of the market, with bids reported to have ranged from under 30 basis points to over 45.

The pessimists claim that Italy's decision to apply a 12½ per cent withholding tax to repurchase agreements (or repos) involving bonds issued by supranational agencies such as the World Bank will have a big long-term impact on bond prices.

According to one banker in London, some $20bn to $30bn of bonds is currently tied up in such repos.

As these repos mature over the coming 12 months, Italian banks may try to dispose of many of the bonds, pushing yields up which will have an effect on the spreads on other issues.

Optimists, on the other hand, point to Spain's problems as merely the result of bad timing, rather than any substantial increase in yield spreads in recent days.

"It is difficult to see a consistent move of more than about 5 basis points for the quality issuers," one banker said yesterday. "There's a readjustment going on, but it's not a bloodbath."

Meanwhile, the flow of collared floating rate notes continued yesterday with some signs of more generous pricing in the wake of the aggressive batch of deals from top-rated borrowers last week.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
GECC(a)‡	100	(a)	100	2003	50/25bp	K.Peabody/Paribas
Sudwestdeutsche LBk(b)‡	150	(b)	100	2004	50/25bp	Merrill Lynch Int.
Banco Economico(Cay.)(c)	50	11	99.55	1994	1¼/¾	Swiss Bank Corp.

Final terms and non-callable unless stated. ‡Floating rate note. a) Coupon pays ¼% below 6-month Libor and is payable semi-annually. Minimum coupon is 5%, maximum 8½%. b) Coupon pays ¼% below 6-month Libor and is payable semi-annually. Minimum coupon is 5%, maximum 9¼%. c) Payable semi-annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on September 28

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

© The Financial Times Ltd., 1992. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	24	5
Other Fixed Interest	7	7	1
Commercial, Industrial	151	437	837
Financial & Property	36	278	408
Oil & Gas	9	33	43
Plantations	0	0	9
Mines	15	58	74
Others	13	70	30
Totals	279	907	1,487

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	99	90	Birthy	95	+1	15.25	–	7.4	–
100	F.P.	–	118	95	Broadgate Inv Trust	95		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. Annualised dividend. Figures based on prospectus estimates. Dividend rate paid or payable on part of capital; cover based on dividend on full capital. Assumed dividend and yield. Earnings based on preliminary figures. Forecast or estimated annualised dividend rate, cover based on previous year's earnings. Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. Unlisted securities market. Issued in connection with reorganisation, merger or takeover. Price at a premium. Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares. Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are also shown on this page.

Calls in Beverley, Forte, Hazlewood Foods, ICI and Owners Abroad. Put in Oliver Res.

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

[illegible]

CONTRACTS

Supplying switchgear equipment

NEI REYROLLE, of Hebburn, part of the Rolls-Royce industrial power group, has won an order worth £5m from the National Grid Company.

The contract is for four circuits of 300kV switchgear to connect NGC's sub station at Barking in east London with a 1,000MW gas-fired power station being built nearby.

This order follows a contract placed with Reyrolle earlier this year for 145kV switchgear for Barking.

Equipment for the latest contract is due to be installed and commissioned by August 31 1994.

Mechanical works

LAING INDUSTRIAL ENGINEERING AND CONSTRUCTION (LIEC), part of John Laing Group, has won several contracts worth over £3m.

LIEC has been awarded the main mechanical works contract (value £2.5m) by John Brown Engineers and Constructors, to construct a flue gas desulphurisation (FGD) plant for PowerGen at Ratcliffe-on-Soar power station, Nottinghamshire.

The mechanical construction work involves installation of 401 plant items, the fabrication and erection of about 7,000 metres of carbon steel pipework and the erection of about 10,000 metres of GRP piping.

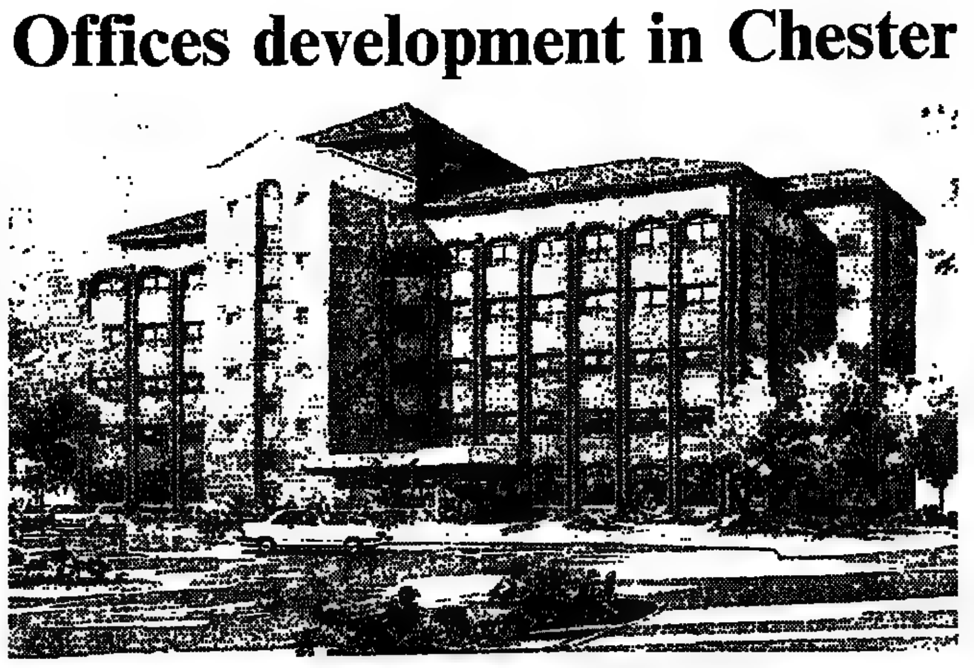
BNFL has appointed LIEC to undertake mechanical construction works on the waste monitoring and compaction (WAMAC) plant at Sellafield. The 55-week contract valued at about £600,000 involves fabrication and erection of about 2,000 metres of carbon, stainless steel and copper piping.

LIEC has secured the main mechanical shutdown work (contract value about £100,000) from H & G Process Contracting, for the reinstrumentation project at GE Plastics ABS, Grangemouth.

Kazakh hotel

China has signed a contract to participate in the constuction of a hotel in Alma Ata, the capital of the former Soviet republic of Kazakhstan. The project to build the 383-room three-star hotel involves an investment of US$29m (£17m).

Offices development in Chester



HEYWOOD WILLIAMS, a part of the Heywood Williams Group, has been awarded a contract worth almost £500,000 to design, manufacture and supply a variety of high specification windows for a new office development (*pictured*) in Chester.

Designed by GCW Architects for NWS Bank, the six-storey building in Charterhall Drive will provide 5,500 sq metres of office accommodation. Completion is scheduled for April 1993.

£12m orders for Cleveland Structural

CLEVELAND STRUCTURAL ENGINEERING, part of Trafalgar House Construction, has been awarded new contracts in the United Kingdom and overseas worth nearly £12m, representing some 250,000 man hours of work for the company's Darlington factory next year.

The largest is a £4.3m contract with NEI Syncro-lift to supply, fabricate and deliver a ship lift transfer system for the Royal Navy's Faslane base. Work begins in October and will be completed by the end of June 1993.

Cleveland has also won contracts worth £4.7m to supply, fabricate and deliver 11 crane structures to Morris Mechanical Handling at Loughborough. The contracts involve a total of 3,500 tonnes of steel.

Work has commenced on the fabrication of five ship to shore cranes for the ports of Southampton and Waterford in Ireland. When completed and installed the wide-based cranes will be used to move containers. Six rail-mounted gantry cranes are being fabricated for railhead depots in London and the Midlands. Two of these will be of the lattice type. All of the cranes will be delivered by the end of May next year.

Overseas, Cleveland has won a £2.6m joint venture contract with Octavius Atkinson to supply and deliver structural bridgework over an underpass in Saudi Arabia. The project will use more than 2,500 tonnes of steel and is being fast-tracked for completion in five months.

Engineering services at power stations

BALFOUR BEATTY PROJECTS & ENGINEERING has been awarded various contracts worth more than £5m for project management and engineering services for Nuclear Electric.

The contract awards at Hinkley Point 'A' include a contract for an additional essential stand-by supplies system and a contract for improvements to the essential diesel system.

At Hinkley Point 'B', Balfour Beatty Projects & Engineering is working on a contract for an independent back-up feed water system.

The company is also working on a contract to provide 32 gaseous sampling systems for use at Magnox stations by Nuclear Electric.

The contract to provide an additional essential stand-by supplies system at Hinkley Point 'A' covers project management, detailed design, procurement and commissioning of a new stand-by system, which utilises two "free-issue" 1,000hp diesel generators. The company will be responsible for the new buildings, associated cabling and the control/monitoring system for the new essential stand-by supplies system.

In the contract for improvements to the essential diesel system at Hinkley Point 'A', Balfour Beatty Projects & Engineering is responsible for project management, detailed design and installation and commissioning of two new diesel generators and associated motor generating sets.

At Hinkley Point 'B', the company is working on a contract to provide an independent back-up feed water system. The contract covers project management, site surveys, detailed design, installation and commissioning.

The independent back-up feed water system will include two 7,000 cu metres reservoir tanks inter-connected to the main feed headers, with diesel centrifugal pumps being installed to provide water flow.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
IN THE MATTER OF:
AMERICAN BIOMATERIALS CORP
A Virginia Corporation
Debtor
Chapter 11 Case No. 87-07316

NOTICE TO STOCKHOLDERS OF AMERICAN BIOMATERIALS CORP. OF LAST DAY FOR FILING PROOFS OF INTERESTS AND TENDERING STOCK CERTIFICATES

TO ALL STOCKHOLDERS OF AMERICAN BIOMATERIALS CORP.

PLEASE TAKE NOTICE, that on December 4 1987, American Biomaterials Corp. (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, in the United States Bankruptcy Court, District of New Jersey ("Bankruptcy Court")

PLEASE TAKE FURTHER NOTICE, that the Bankruptcy Court has entered an Order dated September 30, 1988 confirming Debtor's Amended Plan of Reorganization ("Plan of Reorganization").

PLEASE TAKE FURTHER NOTICE, that the Bankruptcy Court has entered an Order dated August 3, 1992 which sets October 30, 1992 as the last day ("Bar Date") for stockholders to file Proofs of Interest and tender original stock certificates.

PLEASE TAKE FURTHER NOTICE, that Proofs of Interest and original stock certificates must be mailed or otherwise delivered so as to ensure actual receipt not later than 5:00 pm on October 30, 1992 to:

Jamieson, Moore, Peskin & Spicer
300 Alexander Park, CN 5276,
Princeton, New Jersey 08543-5276
Attn: A.B.C. Claims Processing.

PLEASE TAKE FURTHER NOTICE, that stockholders who fail to file Proofs of Interest and tender stock certificates by the Bar Date shall be forever barred from asserting such equity interest against the Debtor, and shall not, with respect to any such equity interest, be entitled to be treated as the holder of an Allowed Class 9 Interest under the Plan of Reorganization.

PLEASE TAKE FURTHER NOTICE, that all inquiries and requests for information may be directed to:

Jamieson, Moore, Peskin & Spicer,
300 Alexander Park, CN 5276,
Princeton, New Jersey 08543-5276,
Attn: Andrew S. Wulfman, Esq.,
(609) 452-0808.

Dated: August 3, 1992.

BY ORDER OF THE UNITED STATES BANKRUPTCY COURT
HONOURABLE WILLIAM H. GINDIN
UNITED STATES BANKRUPTCY JUDGE
JAMIESON, MOORE, PESKIN & SPICER
Attorneys for American Biomaterial Corp.
300 Alexander Park, CN5276, Princeton,
New Jersey 08543-5276
Attn: Andrew S. Wulfman, Esq.

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated in South Africa)
Reg. No. 01/00854/06
PROFIT ANNOUNCEMENT 1992

The audited results of the Group's operations for the year ended 30 June 1992 are as follows:

INCOME STATEMENT	30 June 1992 R000	30 June 1991 R000
Turnover	7 301	8 779
Operating income	4 136	6 013
Taxation	1 851	2 311
Net income after taxation	2 285	3 702
Share of profits/(losses) of associated companies	23	(195)
Income attributable to ordinary shareholders	2 308	3 507
Extraordinary item	(1 872)	1 200
Net Profit attributable to members	436	4 707
Earnings per share (cents)	114.8	174.5
Dividends per share (cents)	62.0	62.0
Dividend cover (times)	1.9	2.8

COMMENT

After 5 years of continuous growth, the deepening recessionary conditions and an uncertain political climate have had the effect of reducing profits in the financial year under review. Turnover showed a small decline from R8.8 million in the 1991 financial year to R7.3 million in the 1992 financial year. The extent of reduction in earnings was, however, greater than what the 17% decline in turnover suggests as increases in development costs reduced the gross profit margin.

Earnings have declined from 174.5 cents a share for the 1991 financial year to 114.8 cents in the current year. The Board of Directors has, however, decided to maintain the dividend at last years level. A full dividend of 62.0 cents will therefore be paid for the 1992 financial year. This dividend is covered 1.9 times.

The recession reduced sales levels in nearly all of the groups property holdings. Sales in industrial townships remained at low levels while office parks on the East Rand sold relatively well in the period under review. The dividend on our share investment in East Rand Gold and Uranium Co. Ltd. was considerably lower than in previous years.

Prospects for the property markets in the short term are not encouraging. We anticipate trading conditions in all property markets to be difficult in the next twelve to eighteen months. The difficult trading environment which we predicted for 1992 has in fact been extended by the restrictive monetary policy which has been instituted by the Reserve Bank, the world recession and the uncertain political environment which is dampening business and foreign investor confidence.

Shareholders have been advised of the proposed conversion of the group into a property loan stock company. This conversion holds many advantages for shareholders. The underlying net asset value of the group will be unlocked by an immediate sale of land assets which would otherwise only have been realised over an extended period of time. Shareholders will receive the enhanced net asset value by way of a special dividend which will be used to take up equity and loan account linked units in the new entity. Prime office buildings with good covenants will be acquired simultaneously so that earnings in the new entity will show growth and stability and not be as vulnerable to the economic cycle as may have been the case in the past. Tradeability of the linked units will be improved with a greater number of units in issue. The solid asset base together with the listing on the London Stock Exchange, will provide a platform for offshore expansion.

DECLARATION OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that dividend No. 97 (Final) of 46 cents per share (1991 - 46 cents) for the year ended 30 June 1992, has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 16 October 1992, and to persons presenting Coupon No. 197 detached from Share Warrants to Bearer.

Warrants in payment will be posted on or about 6 November 1992.

Non-resident shareholders' tax at the rate of 15% will be deducted where applicable.

The conditions applicable to this dividend can be inspected at the Johannesburg and U.K. offices of the company.

The 1992 Annual Report will be mailed to shareholders on or about 14 October 1992.

ENCASHMENT OF COUPON NO. 197

The dividend on shares included in Share Warrants to Bearer will be payable on or after 6 November 1992 to persons presenting Coupon No. 197 at the U.K. office or at the office of Credit du Nord, 6-8 Boulevard Haussmann, 75009, Paris. Coupons presented at the U.K. office will be subject to deduction of United Kingdom Income Tax unless accompanied by Inland Revenue declarations.

NOTICE OF NINETY-SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ninety-sixth annual general meeting of members will be held in the board room, 2nd Floor, AFC House, 25, Wellington Road, Parktown, on Friday, 6 November 1992 at 11h00.

BY ORDER OF THE BOARD

J.W. Mackenzie)	Chairman	
G.Fischer)	Managing Director	28 September 1992
Registered office:	25 Wellington Road, Parktown, 2193	
U.K. Office:	AFC Investments Ltd. c/o P.O. Box 1306, Hockley, Essex SS5 5BQ.	
Transfer Secretaries:	Barclays Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU.	

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 28, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99 25	57 3699	39.5418	48.0048
Albania	(Lek)	189 86	109 746	75.6414	91 8307
Algeria	(Dinar)	36.4186	21.0512	14.5094	17.6148
Andorra	(Fr Fr)	8 4650	4.893	3 3725	4.0943
	(Sp Peseta)	176 50	102 023	70.3187	85.3688
Angola	(Kwanza)	1037 4	599 653	413.307	501 765
Antigua	(E Carr $)	4 6602	2.6937	1.8566	2.254
Argentina	(Peso)	1 7120	0 9895	0 682	0 828
Aruba	(Florin)	3 0895	1 7858	1.2308	1.4943
Australia	(Aus $)	2 400	1 3872	0.9561	1 1608
Austria	(Schilling)	17 665	10.2109	7 0378	8.5441
Azores	(Port Escudo)	222 50	128.613	88.6454	107.618
Bahamas	(Bahama $)	1 7300	1	0.6892	0 8367
Bahrain	(Dinar)	0 6485	0 3748	0 2583	0 3136
Balearic Is	(Sp Peseta)	176 50	102 023	70.3187	85 3688
Bangladesh	(Taka)	66 2506	38 2951	26 3946	32 0438
Barbados	(Barb $)	3 4715	2 0066	1 383	1 679
Belgium	(Belg Fr)	51 80	29 9421	20.6374	25 0544
Belize	(B $)	3 452	1 9953	1 3752	1 6696
Benin	(CFA Fr)	423 25	244 653	168 625	204 716
Bermuda	(Bermudian $)	1 7300	1	0 6892	0 8367
Bhutan	(Ngultrum)	48 810	28 2138	19 4462	23 6082
Bolivia	(Boliviano)	6 904	3 9907	2.7505	3 3392
Botswana	(Pula)	3 6440	2 1063	1 4517	1 7625
Brazil	(Cruzeiro)	10724 75	6199 28	4272.81	5187 3
Brunei	(Brunei $)	2 7595	1.595	1 0994	1 3347
Bulgaria	(Lev)	43 00	24 8554	17 1314	20 798
Burkina Faso	(CFA Fr)	423 25	244 653	168 625	204.716
Burma	(Kyat)	11 3075	6 5361	4.5049	5 4691
Burundi	(Burundi Fr)	397 50	229 769	158 367	192.261
Cambodia	(Riel)	2589 0	1496 53	1031.47	1252 24
Cameroon	(CFA Fr)	423 25	244 653	168 625	204.716
Canada	(Canadian $)	2 1510	1 2433	0 8569	1 0403
Canary Is	(Sp Peseta)	176 50	102 023	70 3187	85.3688
Cp Verde	(CV Escudo)	108 10	62.4855	43 0677	52.2853
Cayman Is	(CI $)	1 4671	0.848	0.5845	0 7096
Cent Afr Rep	(CFA Fr)	423 25	244 653	168.625	204 716
Chad	(CFA Fr)	423 25	244 653	168 625	204 716
Chile	(Chilean Peso)	661.92	382.613	263 713	320 155
China	(Renminbi Yuan)	9 4298	5 4507	3 7568	4 5609
Colombia	(Col Peso)	1076 70	622 37	428 964	520 774
CIS	(Rouble)	1 0587o	0.6119	0 4217	0 512
		422 34m	244 127	168 263	204.276
Comoros	(CFA Fr)	423 25	244 653	168.625	204.716
Congo (Brazz)	(CFA Fr)	423 25	244 653	168.625	204 716
Costa Rica	(Colon)	233.96	135 237	93 2111	113 161
Côte d Ivoire	(CFA Fr)	423 25	244 653	168 625	204.716
Cuba	(Cuban Peso)	1 3073	0 7556	0 5208	0 6323
Cyprus	(Cyprus £)	0 7703	0 4452	0 3068	0 3725
Czechoslovakia	(Koruna)	46 81c	27 0578	18 6494	22 6408
		44 98t	26	17 9203	21 7557
Denmark	(Danish Kroner)	9 6975	5 6054	3 8635	4 6904
Djibouti Rep	(Djib Fr)	301 0	173 988	119 92	145 586
Dominica	(E Carrib $)	4 6602	2 6937	1 8566	2.254
Dominican Rep	(D Peso)	22 438	12 9699	8 9394	10 8527
Ecuador	(Sucre)	3165 48o	1829 76	1261 15	1531 07
		3452 0u	1995 38	1375.3	1669 65
Egypt	(Egyptian £)	5 6850	3 2861	2 2649	2 7496
El Salvador	(Colon)	13 850	8 0057	5 5179	6 6989
Equat I Guinea	(CFA Fr)	423 25	244 653	168 625	204 716
Ethiopia	(Ethiopian Birr)	3 5556	2.0552	1.4165	1.7197
Falkland Is	(Falk £)	1 00	0 578	0 3984	0 4836
Faroe Is	(Danish Kroner)	9.6975	5.6054	3 8635	4 6904
Fiji Is	(Fiji $)	2 6030	1 5046	1.037	1.259
Finland	(Markka)	7 9525	4 5968	3 1683	3 8464
France	(Fr)	8 4650	4.893	3 3725	4 0943
Fr Cty/Africa	(CFA Fr)	423 25	244 653	168 625	204 716
Fr Guiana	(Local Fr)	8 4650	4 893	3 3725	4 0943
Fr Pacific Is	(CFP Fr)	150.0	86.7052	59.7609	72 5513
Gabon	(CFA Fr)	423 25	244 653	168 625	204 716
Gambia	(Dalasi)	14 3258	8.2808	5 7074	6 929
Germany	(D-Mark)	2.5100	1.4508	1	1 214

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	830.13	479.844	330.729	401.514
Gibraltar	(Gib £)	1 00	0 578	0.3984	0.4836
Greece	(Drachma)	322 03	186.145	128.299	155 758
Greenland	(Danish Krone)	9.6975	5.6054	3.8635	4.6904
Grenada	(E Carr $)	4.6602	2.6937	1.8566	2.254
Guadaloupe	(Local Fr)	8.4650	4 893	3 3725	4.0943
Guam	(US $)	1 7300	1	0.6892	0.8367
Guatemala	(Quetzal)	8.9244	5.1586	3.5555	4.3165
Guinea	(Fr)	1402.0	810 405	558 566	678.114
Guinea-Bissau	(Peso)	8630 0	4988.44	3438.25	4174.12
Guyana	(Guyanese $)	216.60	125.202	86 2948	104.764
Haiti	(Gourde)	17.260	5	6.8764	8.3482
Honduras	(Lempira)	9 690	5.6011	3.8605	4.6868
Hong Kong	(HK $)	13 3375	7 7095	5.3137	6 451
Hungary	(Forint)	136.906	79.1364	54 5442	66.2181
Iceland	(Icelandic Krona)	95.663	55.2966	38.1127	46.2698
India	(Indian Rupee)	48.810	28.2138	19 4462	23 6082
Indonesia	(Rupiah)	3503 0	2024.86	1395 62	1694 32
Iran	(Rial)	2716.0v	1569.94	1082.07	1313.66
		119.55o	69.104	47 6294	57.8234
Iraq	(Iraqi Dinar)	0.5936	0.3431	0.2364	0.2871
Irish Rep	(Punt)	0 9545	0 5517	0.3802	0.4616
Israel	(Shekel)	4.2977	2.4842	1 7122	2.0786
Italy	(Lira)	2113 25	1221.53	841.932	1022.13
Jamaica	(Jamaican $)	37.97	21.9479	15 1274	18 3651
Japan	(Yen)	206.75	119.509	82 3705	100
Jordan	(Jordanian Dinar)	1 1254	0.6505	0.4483	0 5443
Kenya	(Kenya Shilling)	58.7358	33 9513	23 4007	28 409
Kiribati	(Australian $)	2 400	1.3872	0 9561	1.1608
Korea North	(Won)	3 7109	2.145	1.4784	1.7948
Korea South	(Won)	1234 1	713 353	491 673	596 904
Kuwait	(Kuwaiti Dinar)	0 5060	0.2924	0 2015	0 2447
Laos	(New Kip)	1234 1	713 353	491 673	596.904
Lebanon	(Lebanese £)	4259.5	2462 14	1697 01	2060.22
Lesotho	(Maluti)	4 9030	2 8341	1.9533	2.3714
Liberia	(Liberian $)	1.7300	1	0 6892	0.8367
Libya	(Libyan Dinar)	0 4608	0.2663	0 1835	0.2228
Liechtenstein	(Swiss Fr)	2.2000	1 2716	0.8764	1.064
Luxembourg	(Lux Fr)	51 80	29.9421	20.6374	25.0544
Macao	(Pataca)	13.781	7.9658	5.4904	6.6655
Madagascar	(MG Fr)	2709.82	1566 37	1079.61	1310.67
Madeira	(Port Escudo)	222 50	128.613	88 6454	107.618
Malawi	(Kwacha)	6 9385	4.0106	2.7643	3.3559
Malaysia	(Ringgit)	4.3275	2.5014	1.7241	2.0931
Maldive Is	(Rufiya)	18 891	10 9196	7.5262	9.1371
Mali Rep	(CFA Fr)	423.25	244.653	168.625	204.716
Malta	(Maltese £)	0 5459	0.3155	0.2174	0.264
Martinique	(Local Fr)	8 4650	4.893	3.3725	4.0943
Mauritania	(Ouguiya)	131.31	75.9017	52.3147	63 5114
Mauritius	(Maur Rupee)	26.252	15.1745	10.4589	12.6974
Mexico	(Mexican Peso)	5191 925	3001.11	2068 5	2511 21
Miquelon	(Local Fr)	8.4650	4 893	3 3725	4.0943
Monaco	(French Fr)	8.4650	4 893	3.3725	4.0943
Mongolia	(Tugrik)	69 040	39.9075	27.5059	33.3929
Montserrat	(E Carr $)	4 6602	2.6937	1.8566	2.254
Morocco	(Dirham)	13 5320	7 8219	5.3912	6.5451
Mozambique	(Metical)	4706 0	2720 23	1874 9	2276 18
Namibia	(S A Rand)	4 9030	2.8341	1.9533	2.3714
Nauru Is	(Australian $)	2 400	1.3872	0 9561	1.1608
Nepal	(Nepalese Rupee)	80 483	46 5219	32.0649	38.9276
Netherlands	(Guilder)	2.8225	1 6315	1 1245	1.3651
N'nd Antilles	(A/Guilder)	3 0895	1.7858	1.2308	1 4943
New Zealand	(NZ $)	3.2145	1.858	1.2806	1.5547
Nicaragua	(Gold Cordoba)	9 2859	5.3675	3 6995	4.4913
Niger Rep	(CFA Fr)	423.25	244.653	168.625	204.716
Nigeria	(Naira)	32 6214	18 45	12.9965	15.7781
Norway	(Nor. Krone)	10 1850	5.8872	4.0577	4.9262
Oman	(Rial Omani)	0 6622	0 3827	0.2638	0.3202

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	43.24	24.9942	17.227	20.9141
Panama	(Balboa)	1.7300	1	0.6892	0.8367
Papua New Guinea	(Kina)	1.6700	0.9653	0.6653	0.8077
Paraguay	(Guarani)	2621.30	1515.2	1044.34	1267.86
Peru	(New Sol)	2.40	1.3872	0.9561	1.1608
Philippines	(Peso)	42.0	24.2774	16 733	20.3143
Pitcairn Is	(£ Sterling)	1.00	0.578	0.3984	0.4836
	(NZ $)	3 2145	1.858	1.2806	1.5547
Poland	(Zloty)	24185.0	13979.8	9635.46	11697.7
Portugal	(Escudo)	222.50	128.613	88.6454	107.618
Puerto Rico	(US $)	1.7300	1	0.6892	0.8367
Qatar	(Riyal)	6.2609	3.619	2.4943	3.0282
Reunion Is. de la	(F/Fr)	8.4650	4.893	3.3725	4.0943
Romania	(Leu)	726.33q	419.844	289.375	351.308
Rwanda	(Fr)	265.13	153 254	105.629	128.237
St Christopher	(E Carr $)	4.6602	2.6937	1.8566	2.254
St Helena	(£)	1.00	0.578	0.3984	0.4836
St Lucia	(E Carr $)	4.6602	2 6937	1.8566	2.254
St Pierre	(French Fr)	8.4650	4.893	3.3725	4.0943
St Vincent	(E Carr $)	4.6602	2.6937	1.8566	2.254
San Marino	(Italian Lira)	2113.25	1221.53	841.932	1022.13
Sao Tome	(Dobra)	414.24	239.445	165.036	200.358
Saudi Arabia	(Riyal)	6.4502	3.7284	2.5698	3.1198
Senegal	(CFA Fr)	423.25	244.653	168.625	204.716
Seychelles	(Rupee)	8.595	4.9682	3.4243	4.1571
Sierra Leone	(Leone)	854.37	493.855	340.386	413.238
Singapore	($)	2.7595	1.595	1.0994	1.3347
Solomon Is	($)	5.1110	2.9543	2.0362	2.472
Somali Rep	(Shilling)	4522 1	2613.93	1801.63	2187 23
South Africa	(Rand)	4.9030c	2.8341	1.9533	2.3714
		7.0335g	4.0656	2.8021	3.4019
Spain	(Peseta)	176.50	102 023	70.3187	85.3688
Spanish Ports in N Africa	(Sp Peseta)	176.50	102.023	70.3187	85.3688
Sri Lanka	(Rupee)	76.00	43.9306	30.2788	36.7593
Sudan Rep	(Dinar)	17.260	9.9768	6.8764	8.3482
Surinam	(Guilder)	3.0809	1.7808	1.2274	1.4901
Swaziland	(Lilangeni)	4.9030	2.8341	1.9533	2.3714
Sweden	(Krona)	9.4250	5.4479	3.7549	4.5586
Switzerland	(Fr)	2.2000	1 2716	0.8764	1.064
Syria	(£)	36.246	20.9514	14.4406	17.5313
Taiwan	($)	43.65	25 2312	17.3904	21.1124
Tanzania	(Shilling)	551.63	318.861	219.773	266.81
Thailand	(Baht)	43.45	25.1156	17.3107	21.0157
Togo Rep	(CFA Fr)	423.25	244.653	168.625	204 716
Tonga Is	(Pa Anga)	2.400	1.3872	0 9561	1.1608
Trinidad/Tobago	($)	7.3355	4.2401	2.9225	3.548
Tunisia	(Dinar)	1.4430	0.8341	0.5749	0.6979
Turkey	(Lira)	12765.54	7378.92	5085.87	6174.38
Turks & Caicos	(US $)	1.7300	1	0.6892	0.8367
Tuvalu	(Australian $)	2.400	1.3872	0.9561	1.1608
Uganda	(New Shilling)	2042.4	1180.58	813.705	987.86
U A E	(Dirham)	6.3167	3.6512	2.5166	3.0552
United Kingdom	(£)	1.00	0.578	0.3984	0.4836
United States	(US $)	1.7300	1	0.6892	0.8367
Uruguay	(Peso)	5835 6	3373.18	2324.94	2822.54
Vanuatu	(Vatu)	193.31	111.74	77.0159	93.4993
Vatican	(Lira)	2113.25	1221.53	841.932	1022.13
Venezuela	(Bolivar)	119.63	69.1502	47.6613	57.8621
Vietnam	(Dong)	18813.4	10874.8	7495.38	9099.59
Virgin Is-British	(US $)	1.7300	1	0.6892	0.8367
Virgin Is-US	(US $)	1.7300	1	0.6892	0.8367
Western Samoa	(Tala)	4 2170	2.4375	1.68	2.0396
Yemen (Rep of)	(Rial)	28.479	16.4618	11.3462	13.7746
Yemen (Rep of)	(Dinar)	0 8026	0.4639	0.3197	0.3881
Yugoslavia	(New Dinar)	382 10	220.867	152.231	184.813
Zaire Rep	(Zaire)	2076000	1200000	827092	1004111
Zambia	(Kwacha)	333.12	192.555	132.717	161.122
Zimbabwe	($)	8.9622	5.1804	3.5705	4.3348

Special Drawing Rights September 25, 1992 United Kingdom £0 843875 United States $1.43982 Germany D Mark 2.12733 Japan Yen173.642
European Currency Unit Rates September 28, 1992 United Kingdom £0 785751 United States $1 35974 Germany D Mark 1.98250 Japan Yen162.625

Abbreviations. (a) Free rate: (b) Banknote rate (c) Commercial rate; (d) Controlled rate (e) Essential Imports. (g) Financial rate; (h) Exports. (i) Non commercial rate: (j) Business rate; (k) Buying rate: (l) Luxury goods (m) Market rate (n) Public transaction rate (o) Official rate, (p) preferential rate, (q) convertible rate; (r) parallel rate; (s) Selling rate, (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday September 28, 1992

THE STARS PROGRAMME
STARS 1 PLC
£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 9.5375% and that the interest payable on the relevant Interest Payment Date December 29th, 1992 against Coupon No. 8 in respect of £10,000 nominal of the Notes will be £239.74.

September 29, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Finding the way to the right bar

Andrew Bolger charts the progress of Tim Martin's fast-growing career

DISMAY AT the deal being offered to the capital's drinkers set Tim Martin on a path which should lead to flotation of his chain of London pubs within the next two months.

Mr Martin, 37, who came to London in 1978 intending to become a barrister, remembers: "I was shocked by the pubs, which all had loud music, keg beer and high prices."

Despite joking that he spent three years researching the licensed trade while studying law at Nottingham, Mr Martin was not a particularly sophisticated consumer: "I only realised I had been drinking real ale at university when I tasted keg."

His bar exams did not progress well, so he used a quick profit from selling his flat to buy an eight-year lease on a pub in Muswell Hill, north London.

It had real ale and no jukebox – features maintained in the 44 pubs currently operated by his company, JD Wetherspoon.

The rapidly-expanding company made pre-tax profits of £2m on sales of £21m in the year to July 31. The flotation will raise about £20m, most of it new money, which should give the chain a market capitalisation of £40m-£45m.

Mr Martin, who owns just under half of the existing company, always intended to build a chain of pubs, and during the eighties developed other elements of the formula he wanted – offering one low-priced beer, with careful attention to food and decor.

The pubs trade under the names of JJ Moons, Moons Under Water and White Lions of Mortimer. Sometimes a name with local historical significance is chosen, but the group's pubs are now all being badged with the JD Wetherspoon logo.

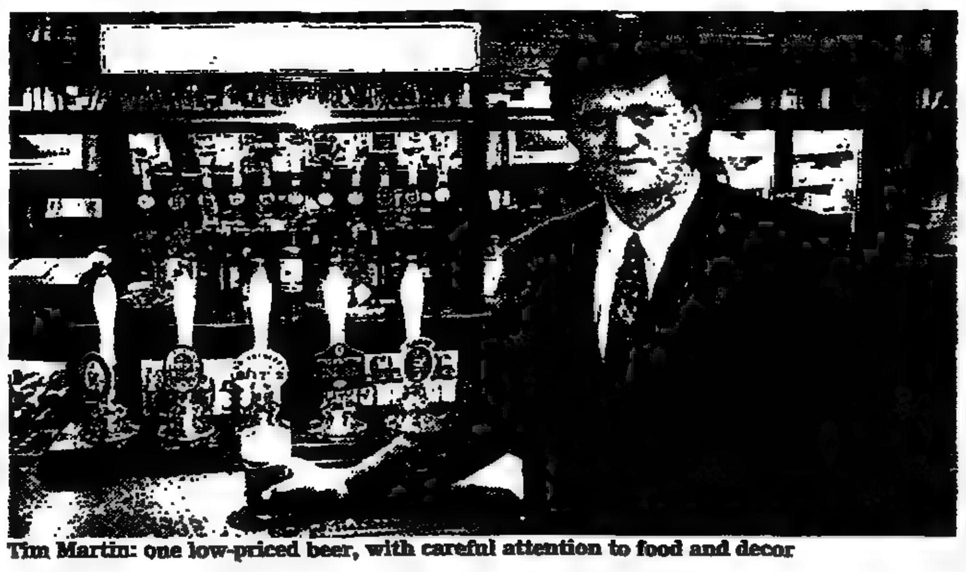
Mr Martin said: "We cut across accepted wisdom in the pub trade, which during the eighties was dominated by the awful fashion for market segmentation.

"People who run high-quality pubs think you can charge high prices. By charging low prices, we attracted large number of students and pensioners – people with low discretionary income, but who as regulars can generate high volumes. They also contribute to a good mix of clientele."

Wetherspoon's other distinctive policy has been its willingness to open pubs in new locations, coverting shops and car showrooms. Mr Martin believes that much of the recent regulatory concern over the brewers' tied-house system has been misplaced, and the real problem is the lack of competition at the retail level.

He said: "Most areas only have a limited number of good locations with licences – which none of the big groups will sell."

To overcome this, Wetherspoon has been prepared to shoulder the considerable costs involved in obtaining licensing and planning permission to convert good locations into pubs. Having bought a car showroom in



Tim Martin: one low-priced beer, with careful attention to food and decor

Crouch End, it was two years before the group was able to open it as a pub.

Mr Martin said he followed the example of McDonalds, the fast food chain, which puts a lot of resources into researching and securing the right locations.

Instead of buying sites and then trying to obtain permissions, the current depressed property market enables the group to take six-month options on attractive sites, during which time it can seek planning and licensing clearance.

Mr Martin's said his pubs, which strive to have a welcoming and unmenacing atmosphere, had proved trouble-free – even when opened in supposedly rough areas. As the group's formula became more established, it was easier to persuade the authorities to grant licences.

Wetherspoon is now also approached by developers, whose planning permission requires them to include a pub. The group has opened a pub in Leicester Square, runs the only one in the new Liverpool Street railway station and was chosen to operate the sole traditional pub in Heathrow's Terminal 4.

The pubs are at present evenly divided between leasehold and freehold properties. Mr Martin said: "Leases give a high return on capital, so the proportion of freeholds will diminish. We are not a property company."

The company has 44 pubs within the M25 and planning and licensing permission for a further 19. The need for funds to develop these sites was one reason for the flotation, which will leave the group's balance sheet with gearing of about 50 per cent. Leading shareholders include John Govett and 3i.

Mr Martin, advised by Kleinwort Benson, aims to have 200 pubs within and around the M25 before looking further afield. But he has no doubt that the formula will travel: "London is very diverse, so we are confident that it will work well in different parts of the country."

Trinity first beneficiary of relaxed float rules

By Richard Gourlay

TRINITY HOLDINGS, the maker of Dennis fire trucks and buses which is coming to the market next month, will be the first beneficiary of a more relaxed Stock Exchange attitude towards flotations. That follows the failure of many new issues earlier this year to attract retail interest.

The Stock Exchange has allowed a firm placement of 75 per cent of Trinity's shares, leaving only 25 per cent available for the public through stockbroker intermediaries. Baring Brothers, Trinity's advisers, expects to raise at least £20m.

The flotation is expected to value Trinity at about £80m and leave the group virtually free of debt.

With flotations of this size in the past the Stock Exchange has required that half the shares be made available through a public offering or an intermediary offering.

Despite the extra expense of marketing a public offering, many of the companies that hurried to the market after the April general election failed to jolt private investors from what appeared to be a recession-induced investment strike.

As a result underwriters were left with shares and a number of the new issues were labelled retail "flops".

Trinity yesterday published its pathfinder prospectus in spite of continuing nervousness in the London market, and the last minute withdrawal of a proposed flotation of Woolcombers last week.

In the prospectus the group forecast it would make operating profits of £8.5m in the year to January 1993. This compares with a profit of £5.58m on sales of £82.1m last year.

Baring Brothers expects to price the issue early next week and will accept applications until noon on October 14.

Trinity, like other UK based exporters, is likely to benefit from sterling's recent devaluation; some 33 per cent of its sales are exported.

Linread recovers to more than £1m in 'tough market'

By Paul Cheeseright, Midlands Correspondent

LINREAD, the Birmingham-based maker of fasteners and components for the motor and aviation industries, has recovered from the financial doldrums in which it has languished since the second half of 1990.

It announced pre-tax profits for the first half of 1992 of £1.05m, compared with losses of £1.37m struck after restructuring and closure costs of £1.5m, and a full year deficit of £2.2m.

That translated into earnings per share of 5.62p (losses of 6.91p).

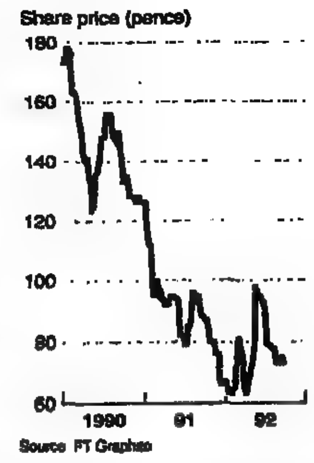
"The market place is tough," said Mr Peter Tahany, chairman, and it will remain so for the next 18 months. Turnover slipped from £21.6m to £20m.

The interim dividend is 1.5p, against 2p in the comparable half-year and a total 1991 distribution of 3.5p.

Recovery owed more to the elimination of loss-making business and rationalisation started last year than to any strengthening of demand from the motor and aviation industries.

Linread

Share price (pence)



Source: FT Graphite

Although the search continued for higher productivity, to relieve the pressure on margins, the main cost-cutting programme had been completed.

Sale of surplus property provided a net £331,000 to boost profits and to strengthen the balance sheet.

This factor, combined with tighter control of working capital, helped to reduce gearing from 59 per cent to 44 per cent.

Standard Chartered gets A$71.5m in settlement

By David Barchard

STANDARD CHARTERED, the UK-based international banking group, is to receive A$71.5m (£30m) cash as a court settlement for an A$100m loan made to GPI Leisure International, an Australian leisure company, in 1988.

The payment is in addition to the realisation of assets already recovered by Standard Chartered in relation to the GPI Leisure loan and accounted for in previous years.

The defendants in the proceedings, brought in a New South Wales court, included Australian National Industries, Spedley Securities, and two former directors of ANI and Spedley.

GPI Leisure was also a plaintiff in the court case.

The cash payment is dependent on a number of preconditions being met in the next 90 days, otherwise the case will resume.

Details were not released but Standard Chartered said that all parties were reasonably confident that the requirements would be met. The bank declined to give further details about the nature or details of the dispute.

The cash will be included in Standard Chartered's 1992 accounts.

Maple Leaf acquires 50 pubs from Bass

By Philip Rawstorne

Maple Leaf Inns, the joint venture company launched three months ago by Pubmaster, the independent pub retailer, and Labatt, the Canadian brewer, has bought 50 pubs in the Midlands and Wales from Bass.

Terms of the sale have not been disclosed.

Maple Leaf, which now operates 88 pubs, intends to expand further, said Mr John Brackenbury, chairman.

Labatt signed a distribution deal with Pubmaster in June, increasing the number of UK pubs in which its brands are sold from 7,000 to 9,000, and securing a place in the UK's ten top-selling lagers fours years after its introduction.

Bass has now sold about 2,850 pubs in the past three years, leaving it with less than 100 for disposal to meet the requirements of the government's beer orders during the next month.

Johnson Matthey titanium buy

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, the precious metals group, has bought for an undisclosed cash amount Alta, a Pittsburgh-based company which claims to be the world's leading supplier of high purity titanium.

Demand for this material is expected to grow strongly in the next five years as new generations of semiconductor devices using advanced titanium technology come into production.

Mastering the technology necessary to produce titanium of at least 99.999 per cent purity is difficult and JM, which is one of Alta's customers, is effectively taking a short cut.

Mr Richard Wakeling, chief executive of JM, said the acquisition would strengthen his group's position as a leading electronics materials supplier and it would help it in its push to win more market share in the Japanese semiconductor industry.

In 1991 Alta, which employs about 50 people, made sales of $10m (£5.8m) and at the year-end had net assets of $5m.

Mr Wakeling said it would make an immediate contribution to profits.

9% increase for Joseph Holt

Joseph Holt, the Manchester-based brewer, lifted pre-tax profit 9 per cent for the first half of 1992.

Turnover came to £12.4m (£10.6m) to produce an operating profit of £2.67m (£2.41m). With £122,000 (£28,000) surplus on realisation of investments, the pre-tax surplus was £3.63m (£3.33m).

Earnings per share worked through at 80.56p (72.88p) and the interim dividend is raised by 1p to 10p.

Changes to London Share Service

FOLLOWING THE recent quarterly meeting of the FT-Actuaries Share Indices Classification Sub-Committee, the following companies will be moved to new sectors within the London Share Service with effect from October 1:

Benchmark to Property from Other Financial; Benson Group to Engineering - General from Miscellaneous; Bridgend to Business Services from Other Financial; Broadcastle to Other Financial from Business Services; Brown Shipley to Other Financial from Merchant Banks; Hewitt to Other Industrial Materials from Engineering - General; Highcroft Investment Trust to Property from Other Financial; Isotron to Health & Household from Miscellaneous; Servomex to Electronics from Other Industrial Materials; Wilshaw to Other Industrial Materials from Building Materials.

Sector name change: Other Industrial Materials will change to Other Industrials.

NEWS DIGEST

Hoskins sells 9 pubs for £2.45m

IN A MOVE to eliminate its borrowings, Hoskins Brewery, the Leicester-based real ale brewer, is selling nine public houses to Wolverhampton & Dudley Breweries for £2.45m cash, writes Graham Deller.

Announcing the disposal along with a 46 per cent jump in annual profits, Mr Barrie Hoar, chairman, said: "This will enable us to take advantage of new opportunities which are compatible with our current activities."

Following the deal, USM-quoted Hoskins will continue to operate the Beaumanor brewery and a reduced estate of seven pubs. "We will be seeking to expand the brewing activities of the group and increase sales within the free trade market," Mr Hoar said.

The nine pubs contributed about £22,000 to pre-tax profits of £83,060 (£56,685) in the year to March 31, struck after interest charges of £137,932 (£172,145).

Turnover amounted to £1.75m (£2.08m). Earnings per share were 1.38p (1.23p).

Exceptionals lift Aberdeen Petroleum

Exceptional profits of £133,000 from the sale of royalty in Australia, coupled with a cost-cutting programme lifted Aberdeen Petroleum, the USM-quoted oil and gas company, to a net profit of £157,000 for the six months to June 30, against £7,000 last time.

Turnover fell from £1.37m to £1.16m. Earnings per share were 0.2p (0.01p).

Greenacre spreads to over £600,000

Greenacre Group, which operates two nursing homes in Scotland and four in the west country, expanded pre-tax profits from £377,000 to £605,000 in the half year to July 31.

A further strong performance was expected in the second half, said Mr Tony Acton, chairman, both from existing homes and from newly acquired and developed beds coming on stream.

Turnover rose from £1.26m to £2.08m, and the profit contribution from nursing homes was £597,000 (£330,000).

Earnings per share were 0.45p (0.27p) and the interim dividend is 0.13p (0.125p).

GT Japan net asset value down 37%

GT Japan Investment Trust saw its net asset value per share decline almost 37 per cent – from 235.4p to 149p – over the 12 months to June 30.

The figure was estimated to have recovered to 165.4p by September 24.

Net revenue amounted to £851,000 (£820,000) for earnings of 1.38p (1.31p) per share.

The proposed final dividend is again 0.75p for a total of 1.4p (1.15p) including a special distribution of 0.25p.

Drummond warns of first half deficit

Operational problems at the Drummond Group are likely to result in a small loss for the half year to September 30, in which case the interim dividend will be passed.

This warning was given yesterday by the group, which makes fabrics and associated products for the clothing industry.

Since July the trading performance has deteriorated largely because of operational problems arising from the integration of the Courtauld Woollens business acquired earlier in the year.

There were also production and technical problems within its own woollen and worsted divisions.

Xtra-Vision declines 29% to I£504,000

Xtra-Vision, the Dublin-based video rental company that is quoted on the USM, reported a 29 per cent fall, from I£708,000 to I£504,000 (£525,000), for the six months to August 2.

The result was struck on static turnover of I£10.6m and after a lower interest charge of I£800,000 (I£886,000).

Earnings per share came out at 0.33p (0.47p).

Mr Colm Menton, chairman, said the second half had got off to a good start, particularly in Ireland, although the current economic climate necessitated a cautious approach when making any forecasts about the full-year outcome.

Trading warning hits Merrydown shares

Shares of Merrydown Wine, the USM-quoted cider, wine and health foods company, yesterday fell 43p to 255p after Mr Richard Purdey, chairman, warned of stiff competition in the premium cider market, writes Peter Franklin.

Speaking at the annual meeting, Mr Purdey said the company was operating in difficult market conditions. The premium market continued to endure competition from new, cheaper brands.

Despite a strong April to June quarter, Merrydown believed the cider market would show only slight growth over the year as a whole, he added.

Pub trade continued to be tough and this affected sales of all the company's products. However, in the take-home market, sales of canned cider were growing fast.

The statement accompanied news that Merrydown has acquired Sorelle – a sparkling herbal fruit drink – from Premier Teas, part of Hillsdown Holdings.

No purchase price was revealed but Mr Purdey said the acquisition was in line with the strategy of acquiring brands compatible with the company's product range and balancing its alcoholic/non-alcoholic drinks ratio.

The acquisition follows the purchase in May of Piermont, which Mr Purdey said was performing well.

Correction

Billiton

Billiton, the metals and mining business within the Royal Dutch/Shell oil and gas group, made a net profit of $12m in 1991, not a loss as incorrectly stated in yesterday's report.

Billiton has also asked for two other points to be clarified: it never operated a tin smelter in Ireland and it said its UK secondary lead operations are profitable and efficient and it is not negotiating to sell them.

BOARD MEETINGS

TODAY

Interims- Boosey & Hawkes, Global, Richards Group, Sears, Sherwood Group, Smurfit (Jefferson), T&S Stores, Watts Blake Bearne

Finals- British Building & Engineering Appliances, Prestwick, Surrey, Thorpe (FW).

FUTURE DATES

Interims-	
Asda Property	Oct. 1
Beradin	Sep. 30
Barry Birch & Noble	Oct. 14
Blenheim	Oct. 27
Clinton Cards	Oct. 14
Grampian Holdings	Oct. 7
Greece Fund	Oct. 1
Johnston Group	Oct. 9
Oriel	Oct. 5
Padang Senang	Sep. 30
Singapore Para Rubber	Sep. 30
Finals-	
Frogmore Estates	Oct. 1
Lloyds Chemists	Oct. 15
North American Gas Inv	Oct. 5
Unigroup	Sep. 30

HSBC puts $100m into US arm

By David Barchard

HONGKONG AND Shanghai Bank revealed yesterday it had suffered yet another blow from its accident-prone US operations at a time when Marine Midland, its New York subsidiary, appears to have made a firm return to profit.

The bank disclosed that it had been forced to make charges of $75m (£43.8m) and also to inject $100m into Concord Leasing, its US leasing subsidiary, after discovering that some of the assets in its portfolio had been substantially over-valued.

The charge will be taken in the accounts of the quarter which ends today.

The move was accompanied by news of the resignation of the two top men in Concord Leasing – Mr Michael O'Hanlon, president and chief executive officer, and Mr Richard Parkes, executive vice-president.

A senior executive, so far unnamed, is being seconded from Hongkong Bank to run the company for the time being.

Hongkong Bank said yesterday that the move followed a routine auditing examination of Concord's assets in which nine ships in its portfolio were discovered to be seriously overvalued.

Fraud is not suspected.

Concord Leasing was sold to HSBC Holdings, the group parent company, by Marine Midland, its New York subsidiary, two years ago at a time when Mr Keith Whitson, now the new deputy chief executive of Midland Bank, was fighting to turn Marine Midland around after it chalked up losses of nearly $500m in two years.

The company, which prided itself on operating in highly diversified products in a wide range of markets, was regarded at the time of the sale as one of the few bits of the Marine Midland empire which was consistently profitable.

Last year the company had total assets of $2.17bn and made a record profit of $20.9m, despite the depressed state of the US economy.

Hongkong Bank said yesterday it remained committed to supporting Concord as necessary and to ensuring it was able to fulfil all its financial obligations.

Keith Whitson: fought to turn Marine Midland around

Wellcome pays $24m for rest of Welgen

By Paul Abrahams

BURROUGHS Wellcome, the US subsidiary of Wellcome, yesterday announced it had acquired the 50 per cent it did not own of Welgen Manufacturing Partnership, a biotechnology manufacturing joint-venture with GI Manufacturing of the US.

Wellcome is paying Genetics Institute, GI Manufacturing's parent company, about $24m for the stake. Welgen will be incorporated into Burroughs Wellcome's manufacturing subsidiary.

"Biopharmaceutical products and manufacturing play an important part in our new product portfolio. This acquisition expands our company's capability to pursue full clinical and commercial development of products produced through bio-technology and manufacture them," said Mr Philip Tracy, president and chief executive of Burroughs Wellcome.

Welgen manufactures Wellferon, a treatment for hepatitis B and hairy cell leukaemia at its West Greenwich, Rhode Island plant. The drug, which was launched in 1986, is also being tested to see if it can alleviate the condition of patients infected by HIV, the virus that causes Aids. It has been studied as a treatment for genital warts and juvenile laryngeal papillomatosis.

Wellcome expects to set up production of Campath-1H, a cancer treatment, at the site. The drug is in phase one and two trials for the treatment of Hodgkins lymphomas and rheumatoid arthritis.

Fudge-free accounting plans 'incompatible with reality'

By Andrew Jack

ATTEMPTS TO introduce accounting standards which do not permit financial information to be "fudged" are not compatible with providing a true and fair view of the underlying realities of a company, a circular from MAP Securities warned yesterday.

Mr David Damant, chairman of MAP, the stockbroking and corporate finance house which is part of Spanish insurance group Mapfre Mutualidad, also called for a redefinition of the concept of earnings.

He said that many critics of existing accounting practice in the UK have argued that standards are too flexible and depend too much on the judgment of a company and its auditor.

Many called for "unfudgeable" rules to guide good behaviour and provide a firmer basis upon which auditors can work.

But, he argued, this would contradict the requirement for accounts to present the true and fair view essential for the efficient operating of the equity markets.

Reality is too complex and the figures often rely on careful case-by-case judgments which cannot always be reduced to firm rules, he said.

Mr Damant also argues – in a separate paper – that a single definition of earnings on the profit and loss account cannot be both correct and unfudgeable.

The word "earnings" is not neutral, he says, but rather implies a measure of the operating performance of a company and should therefore reflect the maintainable profit or loss.

Any other definition will make earnings too volatile and make limited sense of price/earnings ratios.

Earnings may sometimes exclude both extraordinary and exceptional losses or gains, but this will require careful judgments in each case, he adds.

Damant suggests that the word earnings should be replaced on the bottom line of the profit and loss account with a phrase such as "net income for the year".

At the same time, he says, there is a need for adequate disclosure of the information required to to calculate a meaningful level of performance.

Earnings; Unfudgeability. MAP Securities, 2-3 Philpot Lane, London EC3M 8AQ.

Kleinwort to launch China fund

By Alexander Nicoll, Asia Editor

A NEW fund investing in unlisted Chinese companies is to be launched this week by Kleinwort Benson Investment Management.

China Investment & Development Fund is to be floated in London. Mr Robin Fox, chairman-designate, said: "We believe the greatest opportunity in China is investment in unlisted China enterprises and not in B shares."

The Shenzhen and Shanghai stock markets have excited interest among foreign investors, who are allowed to buy B shares – A shares are reserved for domestic investors. However, concerns include the high level of prices in Shenzhen, volatility and absence of effective regulation.

Though the Communist party shows no sign of relinquishing political control, reforms have opened up large areas of the economy to private investment.

The non-state economy accounts for 46 per cent of industrial production and 95 per cent of agricultural output. By the end of last year, more than 34,000 enterprises were using foreign funds, technology or marketing expertise.

Aberdeen Trust in funds deal

By John Authers

ABERDEEN TRUST, the fund management group, announced yesterday that it will take over from Invesco MIM the management of funds held by Century, the life assurance group, worth £430m.

Invesco admitted that the news came as a blow, but added: "This is not a surprise to us, and the move has been factored into our calculations."

Century includes the life funds of NEL, which was sold by Invesco to UNUM, the US-based disability insurer, in July 1990.

UNUM sold the UK life, pension and mortgage business of NEL to Century in January this year.

Invesco said that it had anticipated that NEL funds might move to a new manager when it first made the sale.

However, the move comes at an unwelcome time for Invesco following the announcement of sharply lower profits earlier this month, due to a £9m write-off associated with the troubled Drayton Consolidated Investment Trust. Lord Stevens of Ludgate stepped down as chief executive in July.

Aberdeen has agreed to pay Century £5.6m in respect of the fund management contracts. Of this, £3m is payable immediately, and the remaining £2.6m by December 31.

If the contracts are terminated, Century will be liable to repay £5.2m to Aberdeen within seven days.

Mr Martin Gilbert, chief executive of Aberdeen, said the move was made to secure new distribution channels for the group's funds.

The full details of the move have still not been settled, but it seems likely it will significantly expand Aberdeen's funds under management, which currently stand at £1.1bn.

Split capital restructuring at Jos

By John Authers

JOS HOLDINGS, which is managed by Kleinwort Benson Investment Management, is proposing to restructure into a split capital investment trust.

The ordinary shares will be replaced by equal proportions of three classes of shares – zero dividend, income and capital. Shareholders will be entitled to one of each class for every 250p of net assets attributable to their ordinary shares.

The trust will last until January 31 2003. At that point the zero dividend shares will rank before the others, and have a final capital entitlement of 249p. They will have no right to income. Kleinwort Benson calculates the gross redemption yield at 9.3 per cent.

Income shares will be entitled to all the income from the trust, but qualify for a capital entitlement of only 1p per share. Maiden gross dividend will be 15.3 per cent, assuming an initial market value of 100p.

Kleinwort Benson does not intend to change the investment philosophy of the underlying portfolio, which is to aim for income through investing in international equities, with a bias towards the UK. However, managers hope to achieve a slightly higher yield, of about 1.2 times that on the FT-Actuaries All-Share index.

Mr Simon White, managing director of Kleinwort Benson Investment Management said: "It fills a gap in our range. Income shares and zeros have enjoyed great popularity with both private and institutional investors, and Kleinwort Benson does not have a traditional split-capital trust with three share classes to satisfy this demand."

It is also hoped that demand for the new shares will reduce the discount to net asset value.

Tate & Lyle raises stake in Alcantara

Tate & Lyle, the worlds's largest sweeteners group, is paying £24m for a further 23 per cent stake in a leading Portuguese sugar refiner.

The deal will bring Tate & Lyle's holding in Alcantara Sociedade de Empreendimentos Acucareiros to 97 per cent. Mr Neil Shaw, chairman, said he intended eventually to buy the outstanding 3 per cent.

Alcantara claims more than 40 per cent of the Portuguese market for refined cane sugar. Tate took its first stake in Alcantara in 1984. The Portuguese refiner reported pre-tax profits of £10m for the year ended September 1991, on sales of £85m.

On the question of European Community quotas for the import of raw cane, Mr Nicholas Nightingale, company secretary, said Tate & Lyle expected a decision "in due course". The temporary arrangement agreed when Portugal joined the EC is due to end this year. "We are sure we will end up with a satisfactory basis," he said.

Alcantara employs 570 people and has two refineries. Mr Nightingale said there would be no management changes.

Redundancy costs push How into £96,000 loss

By Walton Morais

REDUNDANCY payments and other severance costs brought about by severe trading conditions pushed How Group, the Midlands-based building services contractor, into its first interim pre-tax loss since joining the main market in December 1987.

Exceptional costs involved in shedding 200 more workers from its 2,500 staff in the six months to June 30 amounted to £591,000 (£226,000), resulting in a pre-tax loss of £96,000 against a £507,000 profit last time.

Mr Peter How, chairman, said trading conditions in the first half were the worst since the group was formed in 1947. But if construction activity were to pick up following withdrawal from the ERM and the subsequent reduction in interest rates, the group would be among the first to benefit, he said.

Mr How said a sharp fall in turnover to £75.2m from a record £123m reflected the length and depth of the recession and a determination not to embark upon uneconomic projects.

The fall in turnover was largely due to a 50 per cent decline to about £50m in the engineering services division. Pre-tax losses in the division amounted to £1.5m against a gain of some £1m from the maintenance and distribution divisions.

Losses per share were 0.35p (earnings 0.51p). The interim dividend is reduced to 0.75p (1p).

Touche Ross to stand down at Lep

By Andrew Jack

TOUCHE ROSS, the accountancy firm, has agreed not to stand for re-election as auditor to Lep, the freight-forwarding and security group which recently proposed a financial rescue package.

The company confirmed that Price Waterhouse will be proposed as the firm's replacement at an extraordinary meeting late next month at which the Lep results will be presented.

The changes follow the appointment of Mr David James, the company doctor who is also chairman of Davies & Newman, as chairman and chief executive, at the annual meeting last month.

Metsec losses increase

By Peter Pearse

SHARES IN Metsec fell 27p to 97p on news that the company, which makes building, electronic and engineering products, suffered a difficult first half, particularly in its electronic products division.

Pre-tax losses for the six months to June 30 grew from £285,000 to £868,000 as "recovery from recession in many of the group's markets was slower than expected", said Mr Keith Hirst, chairman and managing director.

The USM-quoted group is passing its interim dividend, against 2.7p last time.

Turnover shrank by £10.7m to £31.1m. That of the now sold Thomas Vale Construction was deliberately reduced by some £5m, and the disposal of the Muller group knocked off another £2m. The rest was down to the recession, said Mr Hirst.

Electronic products were brought low by weakness in the UK, Australian, and US markets, where the hospital sector was particularly hard hit. Reorganisation has now moved the US side towards monthly profitability.

As a result of last year's rationalisation, all the building products businesses traded profitably.

Profits were reduced by provisions of £550,000 for bad debts – a problem Mr Hirst said should ease – though volumes were sacrificed to maintain margins.

With the exception of James Trow, where the product range has shifted towards the commercial office equipment market, all the businesses in the engineering products division operated profitably.

Gearing grew from about 50 to 60 per cent and losses per share increased to 5.75p (1.51p).

Arbitrator backs Burton

By Richard Gourlay

An independent arbitrator has decided that Burton Group need not repay £1m to Dickson Concepts, which last year paid £60m for Harvey Nichols, the Knightsbridge store.

The disagreement went to arbitration after Burton and Mr Dickson Poon, the Hong Kong entrepreneur, disagreed over the valuation of stock held and Harvey Nichols' depreciation policy.

The two parties agreed beforehand that the decision of the arbitrators, which was taken last week, would be final.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Greenacre §	int	0.13	Nov 27	0.125	-	0.25
GT Japan	fin	0.75	Nov 4	0.75	1.15‡	1.15
Holt (Joseph)	int	10	Oct 23	9	-	35
How	int	0.75	Nov 30	1	-	2.5
Linread	int	1.5	Oct 31	2	-	3.5
Metsec	int	nil	-	2.7	-	6.4

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Excludes special of 0.25p.

COMMODITIES AND AGRICULTURE

Metals slide on economy fears

By Kenneth Gooding, Mining Correspondent

ALL METAL prices fell yesterday on the London Stock Exchange amid growing fears that the sluggish state of worldwide economic activity would continne for some time.

There was relatively heavy selling of copper, zinc and nickel but traders said the aluminium market, where prices were already very low, was very quiet. "There has been a bout of liquidation of metal in response to the general economic situation," said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

Copper for delivery in three months fell by £25.75 to close at £1,399.50 a tonne last night and the price fell again in after-hours dealings.

However, this price weakness merely represented a correction of the sharp gains in June and July, suggested Mr Wictor Bielski, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez Group. He expected the copper price to rise strongly again in the final quarter of 1992, a time of seasonally strong demand.

In a special report on the copper market, Mr Bielski suggested renewed economic growth in the US and Japan next year should boost copper demand by 2.5 per cent in 1993. Consequently, he looked for a supply deficit of about 200,000 tonnes in 1993 following one of 75,000 tonnes this year. This should trigger some sharp price "spikes" through 1993.

EC banana plan 'grossly inefficient' says World Bank

By David Dodwell, World Trade Editor

EUROPEAN COMMUNITY proposals to reform its banana import regime would generate immense monopoly profits for importers, wholesalers and retailers, and are grossly inefficient, a new World Bank working paper argues.

The study says the plans are "deliberately and unnecessarily complicated" to administer, and would give a large new bureaucracy "tremendous power and control over the market", which is forecast to grow to 3.6m tonnes by 1993.

The paper calculates that existing policies already cost EC consumers $1.6bn a year, with a direct cost to the community budget of $575m. The consumer cost could rise as high as $3.5bn depending on how the proposals are implemented, it says.

Targeting the quota system's gross inefficiency, the paper calculates that even today for every dollar of aid generated for banana suppliers from African, Caribbean and Pacific (ACP) countries, EC consumers pay $5.30 – with about $3 of this going to importers, wholesalers and retailers as monopoly profit.

The study has been circulated as members of the council of the General Agreement on Tariffs and Trade, who meet in Geneva today, debate a fierce challenge to the EC reform proposals from Latin American banana exporters.

Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela want the community to scrap its complex plan, which would replace national banana import curbs with a community-wide quota and licence arrangement aimed at protecting traditional ACP suppliers under binding Lomé Convention commitments.

The competitive threat from Latin American "dollar" bananas would be further limited by a 20 per cent tariff, with costlier bananas from ACP producers entering duty-free.

The Latin Americans claim that the plan would cost them up to $500m (£292m) a year in export earnings and flouts Gatt rules against discrimination between trading partners. They say it runs counter to proposed farm trade reforms in the Uruguay Round of Gatt negotiations that would scrap all import quotas in favour of tariffs.

The World Bank study provides a powerful endorsement for the Latin American case. It argues that there can be no objective basis for deciding the correct levels of quota, and that as such, quota-setting will become highly politicised, subject to intense lobbying by vested interests.

BANANA PRICES ($ a tonne)

US (free on rail)	586	Latin America (fob)	245
US retail	946	Jamaica & Windwards (fob)	548
German retail	1,520	Gaudeloupe & Martinique (fob)	506
UK retail	2,036	Cameroon & Ivory Coast (fob)	354
French retail	2,066	Somalia (fob)	343
Italian retail	2,587	Canary Islands (fob)	696
Spanish retail	2,316	Other ACP (fob)	333
Other EC retail	1,842		

It also details opportunities created by the quota and licence system for marketers to collude to maximise profits – even to the extent of destroying bananas once they have been imported under quota: "There is no concrete proof that marketers would exploit their market powers created by quotas and licences [but] incentives will be created to encourage and partly condone such behaviour," it says.

As an alternative, the report calls for a 17.3 per cent self-financing tariff, which would fund direct deficiency payments to ACP banana producers, and would provide a more efficient, and more transparent means of protecting the banana producers' incomes.

"Excessive marketing margins of currently-protected marketers of both non-dollar and dollar fruit would be eliminated," the study says: "Currently-protected marketers would be the only losers of self-financing tariff operations."

The report points out that while at present the lion's share of the costs of the support for ACP producers comes from consumers in the UK, France, Spain, Portugal and Italy, the EC proposals would shift the costs to Germany, Belgium, Denmark, Ireland and Luxembourg.

In Germany, the only community market currently open to free competition, consumers now pay about $1.50 a kilogram for bananas – which compares with about $2 in the UK, and almost $2.60 in Spain.

It argues that unnamed "vested interests" within the EC "appear to be blocking the consideration, let alone adoption, of sensible policies".

Geest and Fyffes, leading importers of ACP bananas to the UK, would be among the significant beneficiaries if the present restrictive proposals by the commission were adopted. They have been lobbying hard in Brussels against a tariff-based reform, arguing that such reform would provide no defence for ACP suppliers against a concerted assault on the community market by US multinationals like Chiquita, Dole and Del Monte, which supply dollar bananas from Latin America.

EC Bananarama 1992: The Sequel, by Brent Borrell and Maw-Cheng Yang, World Bank Working Paper, International Economics Department, World Bank, Washington.

CBoT to administer sales of US pollution permits

By Barbara Harrison

THE CHICAGO Board of Trade, the world's largest futures exchange, has been designated by the Environmental Protection Agency as the administrator of its annual sales and auctions of pollution permits or allowances.

The allowances, for sulphur dioxide emissions by electric utility plants, are to be issued, starting next year, as part of the EPA's acid rain control programme. The agency aims to halve the level of sulphur dioxide emissions by the end of the decade.

The CBoT, aiming to be the world's first environmental exchange, petitioned the EPA for the designation as sales and auction administrator because it will trade futures in the pollution allowances. The Commodity Futures Trading Commission, the US futures industry regulator, has already approved the CBoT for trading futures and futures-options on the allowances.

The CBoT hopes that this innovative futures contract will begin a whole new era in the futures industry. Mr Richard Sandor, a CBoT board member and designer of the contract, said: "When we've shown how it can be done successfully in the US, I think the world will follow".

Oils index on drawing board

By Laurie Morse in Chicago

IN AN effort to internationalise its agricultural futures business, the Chicago Board of Trade is designing a futures contract based on an index of the prices of four of the world's most heavily-traded edible oils.

The exchange dominates world pricing of soyabeans and soya oil but has had limited success drawing in other vegetable oil traders to its futures pits.

Oilseed traders say poor correlation between price movements in soya oil and products like palm oil make hedging international oils in the CBoT pits treacherous. Exchange officials also recognise that their soya contracts are most efficient in domestic pricing, and say a worldwide maze of agricultural tariffs and subsidies distort international prices and make CBoT futures less reliable for managing risk for international users.

Mr William O'Connor, Chairman of the exchange, announced preliminary details of the price index last week at the world congress of the International Association of Oilseed Crushers. "While we are hopeful of relief from tariffs and subsidies, we know better than to count on it," he said. "A more productive approach. . . is to design a market which is least affected by the resulting price distortions."

The proposed edible oils price index will be based on crude palm, soya, sunflower, and rapeseed oils, which represent 85 per cent of the world vegetable oil trade.

UK sugar beet shines out through the gloom

Sterling's devaluation is benefiting growers of one of Britain's few remaining profitable crops

FARMER'S VIEWPOINT

By David Richardson

SEPTEMBER rain, which has caused so many problems for late-harvesting cereal growers, has been just right for sugar beet. Indeed the combination of a warm spring and a moist summer could hardly have been better for the crop and it is probable that the overall yield of UK sugar beet harvested this autumn will come close to the record set 10 years ago.

The "campaign" as the annual battle to lift and deliver the roots to processing factories is called in the trade, began in earnest last week with the seasonal opening of the last two of British Sugars' 10 factories. The other eight had opened for "slicing" the previous week and the extraction process was already well under way. It will probably be the middle of next February before the campaign is completed.

If early indications are a reliable guide, and they usually are, the UK seems set to produce over 1.3m tonnes of refined sugar from this year's crops. In 1982 1.4m tonnes was produced. The A and B quota, for which the European Community guarantees prices under the terms of its common agricultural policy, is set at 1.144m. The excess will be classified as C sugar and will be sold on to world markets next year without price support.

The basis for the yield prediction is the root samples taken by British Sugar, the monopoly processor of all the UK's sugar beet. Last week's figures show that average root weight across the country was 703 grams, compared with a five-year average of 587 grams and last year's 532 grams. Average sugar content was a little down, as could have been expected because of the greater size of the roots, to 17.4 per cent, compared with the 17.43 per cent five year average and 18.96 per cent last year, which as you may remember was hot and dry.

The all important figure for sugar per root, however, was well up at 122 grams, compared with 101 grams last year and the 102 grams five-year average. This appears to suggest that the yield of sugar from this year's crop may be about 20 per cent higher than last year's.

Furthermore this British crop will almost certainly mean that for the first time for years the UK will be up among the highest yielders per hectare of sugar beet grown in the whole of the EC.

Other member states that are expecting good yields are Holland and France, where the weather has been equally favourable. But for Germany, Denmark, Belgium and Ireland below average yields are forecast.

The importance of a bumper sugar crop in the UK this year is not just a matter of pride, nor even of immediate profit. It also provides ammunition for the battle to persuade the CAP-reforming European Commission and the negotiators in the General Agreement on Tariffs and Trade that Britain can reliably produce in excess of its quota and should be allocated at least as much, if not more, when those quotas are decided in coming months.

Moreover British growers and processors are determined to fight for a fairer deal than they believe they have had in the past in any reform of the EC sugar regime.

While readily conceding that there is a structural surplus of sugar in the community, they point out that whereas most other sugar beet growing states produce well in excess of their domestic requirements, the UK produces less than 50 per cent of its domestic sugar consumption in order to make way for imports of raw cane sugar produced in former colonies.

They believe that the UK should remain exempt from any cuts in EC sugar beet quotas, which may well be necessary. Britain, the argument goes, is already worse off than other sugar beet-growing member states and if anything should have an increase in her quota.

In furtherance of this claim and in order to improve the image of the UK as a sugar beet producer, British Sugar has even changed the basis of reporting farmers' yields.

In times past the tonnage of sugar beet produced was simply divided by the area on which they were grown in order to arrive at an official average figure. This always left the UK at, or near, the bottom of the European league table. Growers assumed that was because of the superior soils to be found on the Continent.

Then British Sugar discovered that most other countries subtracted those areas of fields which were not cropped, such as the hedges and strips between the field boundary and the first row of roots together with those parts of fields taken up by ditches. Depending on the size of a field these pieces of land can add up to 10 per cent or more of its total area. Now that British Sugar makes similar adjustments, UK beet farmers look like much better growers.

It will be clear from all of the above that British sugar beet farmers, myself included, value the crop very highly. Among all the cuts and restrictions imposed on agriculture recently, sugar beet has so far escaped relatively unscathed and, given a reasonable season, it is still possible to grow it at a profit. This year as I have indicated, it will probably do better than average.

Furthermore the devaluation of sterling will provide a bonus. Since the pound fell out of the ERM so-called "green" currencies have re-emerged. They had almost disappeared during the period of relative currency stability but now they are needed again to make up the differences in value of guaranteed prices for farm commodities in different EC member countries.

The effect of this is to increase the sterling value of UK sugar beet by about 30 pence for each percentage point the pound devalues. If sterling settles at say 10 per cent below its previous ERM floor, UK growers could receive an extra £3 a tonne for the sugar beet they deliver to their local factory. It will amount to a welcome addition to the £30 or so a tonne they thought they would get when they planted the crop.

Meanwhile, overshadowing the UK sugar beet industry hangs the spectre of rhizomania, which literally means root madness and has been dubbed the rabies of root crops. It was first found in this country in 1987. But it has been creeping north across Europe from Italy, where it was first discovered, since the late 1940s.

It is a serious soil-borne disease that stays active in soil for many years and in severe cases reduces both yield and sugar content to uneconomic levels. When it arrived in Britain, plant health authorities imposed strict measures to try to stop it from spreading; measures which were punitive and very expensive to the farmer victims.

At first it seemed the restrictions were working. Only a few further cases were discovered over the next four years. But this year there has been an explosion of 13 cases so far and it is reported that several more possible cases are under investigation.

My view is that, unwelcome as it may be, the time has come for the UK to declare rhizomania an endemic disease and to learn to live with it. Rhizomania-tolerant varieties of sugar beet have already been developed on the continent that yield virtually the same in the presence of the virus as conventional varieties do in clean soil.

It is no longer acceptable to penalise a few farmers for something over which they have no control and for which they are not to blame. Informed sources suggest that the Ministry of Agriculture may be coming to the same conclusion.

WORLD COMMODITIES PRICES

MARKET REPORT

SILVER fell sharply on the London bullion market, weighing on the **GOLD** market. Silver tracked losses on Comex where US funds, disappointed that the metal had failed to pull back above the key 390 cents chart level, liquidated long positions. December Comex gold futures were holding above the key chart level of $349.30 a troy ounce by midday in quiet trading because of Jewish New Year. However, one analyst said participants were liquidating their recent long positions in gold because the metal had failed to rise further on the back of Europe's currency crisis. Another said: "With the dollar down against the yen, you'd think gold would be higher. But it isn't, and some are getting fed up with it." London's robusta **COFFEE** ended around the day's lows. Dealers said ICO talks had slowed the market; news that delegates had agreed on basic principles for a control system met with scepticism. "The market is in need of hard facts and we're getting no hard facts from this," one said. London **COCOA** recovered from earlier lows as manufacturer buying emerged. The December contract fell to £624, possibly on long liquidation, before closing at £648 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.50-8.55z	
Brent Blend (dated)	$20.20-0.30	-.025
Brent Blend (Nov)	$20.35-0.45	-.025
W.T.I (1 pm est)	$21.70-1.73z	-0.05

Oil products (NWE prompt delivery per tonne CIF)

		+ or -
Premium Gasoline	$218-220	+3
Gas Oil	$193-194	
Heavy Fuel Oil	$94-96	+0.5
Naphtha	$190-191	

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$348.15	-1.2
Silver (per troy oz)♣	374.50c	-6½
Platinum (per troy oz)	$366.10	-3.15
Palladium (per troy oz)	$92.75	+0.50
Copper (US Producer)	112.0c	
Lead (US Producer)	38.4c	-1.7
Tin (Kuala Lumpur market)	15.95r	-0.24
Tin (New York)	296.5c	-2
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.20p	-1.37*
Sheep (live weight)†♣	70.35p	+0.23*
Pigs (live weight)†	77.65p	-2.97*
London daily sugar (raw)	$228.2w	-1.8
London daily sugar (white)	$260.5w	-0.5
Tate and Lyle export price	£239.5	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£141.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	56.75p	-0.5
Rubber (Nov)♥	56.75p	-0.5
Rubber (KL RSS No 1 Jul)	220.5m	+1
Coconut oil (Philippines)§	$505.0y	
Palm Oil (Malaysian)§	$385.0y	-2.5
Copra (Philippines)§	$317.5	-7.5
Soyabeans (US)	£146.0w	-2
Cotton "A" index	55.30c	-0.45
Wooltops (64s Super)	408p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct z-Nov. †Meat Commission average fatstock prices * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	195.00	194.40	195.40	194.20
Dec	194.00		192.80	
Mar	194.00	193.00	192.80	
May	196.00		196.00	
White	**Close**	**Previous**	**High/Low**	
Dec	254.00	254.30	254.00	253.00
Mar	255.00	255.30	255.50	254.00
Aug	261.30	261.30	261.00	
Oct	249.70	249.30	249.00	

Turnover: Raw 196 (258)lots of 50 tonnes. White 882 (278) Paris- White (FFr per tonne): Dec 1256.03 Mar 1292.89

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	20.40	20.33	20.44	20.34
Dec	20.42	20.36	20.45	20.36
Jan	20.37	20.32	20.37	20.33
Feb	20.23	20.19	20.23	20.21
Mar	20.06	20.05	20.14	20.06
Jun	19.82	19.87	19.83	19.77
Jul	19.71	19.79	19.74	
IPE Index	20.39	20.50		

Turnover 12375 (17651)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	190.00	190.75	190.50	189.50
Nov	193.50	193.75	194.00	193.00
Dec	195.75	196.25	196.00	195.25
Jan	196.25	196.75	196.50	195.50
Feb	193.00	193.25	193.50	192.75
Mar	187.00	186.25	187.25	187.00
Apr	181.75	181.50	182.25	181.00
May	179.00	178.75	179.25	178.75
Jun	178.50	178.00	179.00	178.50

Turnover 7255 (8561) lots of 100 tonnes

TEA

A good demand prevailed reports the Tea Broker's Association Landed Assams were well supported with selected brighter lines often several pence dearer, others firm except plainer dusts which remained rather weak. Coloury Bangladesh teas sold above valuation but lesser sorts were difficult of sale. Best East Africans were irregular with quality while mediums were often 3p to 5p dearer with coloury dusts a strong feature. Plainer types again advanced. The highest *price realised this week was 186p for an* Assam pf. Price indications for the week: Quality 155p nom, good medium 136p, medium 126p, low medium 85p

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	607	625	635	590
Dec	646	640	651	624
Mar	676	666	680	652
May	694	686	695	673
Jul	712	703	715	690
Sep	729	717	730	708
Dec	755	743	755	733
Mar	782	769	785	759
May	800	787	803	786
Jul	818	803	815	800

Turnover: 6356 (4270) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 25 728.26 (743.86) 10 day average for Sep 28 757.22 (761.82)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Sep	781	785	785	781
Nov	797	804	810	794
Jan	807	812	813	805
Mar	817	821	821	812
May	812	818	813	
Jul	816	822	816	

Turnover:1850 (3201) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 25: Comp. daily 48.87 (48.29) 15 day average 47.00 (46.92)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	60.0	61.2	60.5	58.0

Turnover 131 (178) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	130.50	132.50	

Turnover 0 (24) lots of 20 tonnes.

FREIGHT – London FOX $10/Index point

	Close	Previous	High/Low	
Oct	1100	1110	1100	
Nov	1120	1128	1124	1120
Jan	1155	1160	1155	
Oct	1260	1270	1260	1255
Jan	1301		1301	
BFI	1043	1045		

Turnover 26 (458)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	120.15	119.75	120.60	120.15
Jan	123.35	123.00	123.75	123.30
Mar	126.50	126.00	126.65	126.50
May	129.40	128.90	129.55	129.20
Barley	**Close**	**Previous**	**High/Low**	
Nov	121.25	120.95	121.50	121.25

Turnover: Wheat 429 (395), Barley 35 (152).
Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	101.0	100.5	100.0

Turnover:20 (6) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,563 lots
Cash	1261-62	1273-4		1262-63		
3 months	1285-85.5	1296-7	1290/1285	1286-87	1284-85	161,252 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,896 lots
Cash	1367-68	1393-4	1364/1363	1363-63.5		
3 months	1399-400	1425-5.5	1411/1395	1395-95.5	1396-97	154,629 lots
Lead (£ per tonne)						Total daily turnover 6,536 lots
Cash	331-32	348-50		333-3.5		
3 months	345-45	351-2	359/345	347.5-7.75	346-47	28,831 lots
Nickel ($ per tonne)						Total daily turnover 7,037 lots
Cash	6700-10	6865-75	6790/6765	6775-80		
3 months	6780-85	6940-50	6910/6780	6850-70	6785-95	27,836 lots
Tin ($ per tonne)						Total daily turnover 3,447 lots
Cash	6370-80	6450-60		6350-65		
3 months	6440-50	6515-20	6480/6425	6425-30	6470-75	11,253 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 27,039 lots
Cash	1302-04	1324-6	1305	1302-03		
3 months	1301-02	1326-30	1325/1288	1304-05	1288-89	63,957 lots

LME Closing £/$ rate:
SPOT: 1.7300 3 months: 1.7092 6 months: 1.6898 9 months: 1.6705

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	348.00-348.30	
Opening	349.50-350.00	
Morning fix	349.00	202.436
Afternoon fix	348.00	201.272
Day's high	349.80-349.80	
Day's low	347.70-348.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.27	6 months	2.28
2 months	2.27	12 months	2.36
3 months	2.26		

Silver fix	p/troy oz	US cts equiv
Spot	220.30	380.80
3 months	225.10	383.70
6 months	229.80	386.85
12 months	238.70	393.65

GOLD COINS

	$ price	£ equivalent
Krugerrand	346.00-350.00	203.00-205.00
Maple leaf	358.50-360.80	-
New Sovereign	84.00-86.00	49.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	30	55	3	14
1300	3	27	32	35
1350	3	10	82	68
Copper (Grade A)	**Calls**		**Puts**	
2350	25	69	11	44
2400	5	45	41	69
2450	3	27	86	101
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	54	73	7	17
800	22	43	25	37
850	7	24	60	38
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	40	73	17	22
650	26	58	28	32
675	17	45	44	44
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000			11	34
2050	20		28	
2100	7	24	69	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	347.6	349.3	0	0
Oct	347.8	349.5	349.4	347.7
Nov	348.5	350.2	0	0
Dec	349.4	351.1	351.0	349.2
Feb	350.8	352.5	352.3	350.9
Apr	352.2	353.9	353.7	352.5
Jun	353.7	355.4	354.3	354.3
Aug	355.3	357.0	0	0
Oct	357.0	358.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	370.5	372.2	372.0	369.5
Jan	366.1	368.2	368.0	365.0
Apr	364.6	365.7	0	0
Jul	364.6	366.7	0	0
Oct	367.6	0	369.0	369.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	373.0	379.9	373.5	372.0
Oct	373.3	380.2	0	0
Nov	373.7	380.6	0	0
Dec	375.3	382.2	382.5	373.0
Jan	376.5	383.5	0	0
Mar	378.8	385.9	385.0	377.5
May	381.1	388.2	382.0	380.5
Jul	383.4	390.5	389.5	383.0
Sep	385.9	393.0	392.0	392.0
Dec	389.9	397.0	395.0	389.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	103.80	105.90	105.40	103.70
Oct	104.00	106.00	104.80	104.00
Nov	104.45	106.40	106.00	105.00
Dec	104.80	106.70	106.30	104.75
Jan	105.10	106.85	106.20	105.80
Feb	105.35	107.00	106.20	106.20
Mar	105.65	107.15	106.80	105.50
Apr	105.45	107.05	0	0
May	105.35	106.90	106.60	105.10
Jun	105.25	106.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.68	8.75	8.75	8.57
Mar	8.72	8.72	8.78	8.66
May	8.77	8.78	8.81	8.73
Jul	8.80	8.78	8.82	8.80
Oct	8.77	8.73	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	21.78	21.88	21.79	21.67
Dec	21.88	21.82	21.73	21.61
Jan	21.58	21.53	21.64	21.55
Feb	21.46	21.41	21.52	21.44
Mar	21.34	21.29	21.35	21.32
Apr	21.21	21.17	21.24	21.22
May	21.09	21.06	21.13	21.12
Jun	21.00	20.97	21.04	21.02
Jul	20.92	20.88	20.96	20.90
Aug	20.84	20.80	20.87	20.87

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	63.20	62.79	63.45	62.86
Nov	63.84	63.29	64.05	63.40
Dec	64.48	64.10	64.76	64.10
Jan	64.86	64.44	65.10	64.60
Feb	64.00	63.61	64.15	63.80
Mar	61.60	61.21	61.65	61.40
Apr	59.55	59.21	59.40	59.40
May	58.05	57.76	0	0
Jun	57.05	56.81	0	0
Jul	56.80	56.66	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	983	945	985	950
Mar	1035	999	1036	1003
May	1062	1035	1062	1037
Jul	1095	1055	1095	1085
Sep	1126	1086	0	0
Dec	1157	1117	0	0
Mar	1195	1158	0	0
May	1221	1181	0	0
Jul	1258	1218	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	55.25	56.60	56.25	55.30
Mar	56.35	57.85	57.40	56.25
May	59.30	61.30	60.70	58.50
Jul	60.85	62.05	61.60	61.35
Sep	61.85	63.00	63.00	61.80
Dec	64.25	65.25	65.25	65.25

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	54.65	56.61	56.55	54.61
Dec	52.12	54.12	53.87	52.12
Mar	52.97	54.97	54.65	52.97
May	53.80	55.80	55.60	53.80
Jul	54.32	56.32	56.10	54.32
Oct	55.16	57.00	56.75	55.16
Dec	55.40	57.31	57.20	55.35
Mar	56.15	57.92	57.50	57.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	108.60	113.80	113.50	108.00
Jan	110.00	113.55	113.60	110.00
Mar	110.10	114.35	114.50	109.35
May	112.65	115.50	115.00	114.00
Jul	112.15	115.00	112.95	112.95
Sep	112.15	115.00	0	0
Nov	112.15	115.00	0	0
Jan	112.15	115.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep.28	Sep 25	mnth ago	yr ago
1565.5	1575.0	-	1531.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep.25	Sep 24	mnth ago	yr ago
Spot	116.68	117.34	116.13	111.36
Futures	115.46	115.88	115.40	123.46

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	538/4	543/2	540/0	537/0
Jan	545/6	550/2	547/4	544/0
Mar	552/6	557/0	554/0	550/4
May	560/2	564/2	561/4	560/0
Jul	567/0	571/2	568/2	566/0
Aug	567/6	572/4	0	0
Sep	566/4	570/0	0	0
Nov	573/0	575/0	574/0	572/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.73	18.91	18.86	18.72
Dec	18.99	19.18	19.13	18.96
Jan	19.15	19.35	19.29	19.16
Mar	19.39	19.59	19.52	19.38
May	19.65	19.83	19.77	19.65
Jul	19.88	20.02	19.97	19.86
Aug	20.00	20.15	20.05	20.00
Sep	20.09	20.24	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	183.4	184.6	183.7	183.1
Dec	184.2	185.5	184.7	184.0
Jan	184.5	185.7	184.8	184.3
Mar	184.7	185.7	185.0	184.5
May	184.8	185.9	185.2	184.4
Jul	186.0	187.0	186.2	186.0
Aug	186.9	188.0	187.0	186.9
Sep	188.0	188.5	188.0	188.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	213/4	216/2	214/6	213/2
Mar	222/4	224/6	223/6	222/2
May	228/4	231/0	230/0	228/4
Jul	233/2	235/4	234/4	233/0
Sep	234/0	235/4	234/6	234/0
Dec	237/2	238/6	237/6	237/0
Mar	244/0	245/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	347/2	344/4	347/4	344/2
Mar	348/2	346/4	348/4	345/2
May	339/6	338/2	340/0	337/0
Jul	317/6	316/2	318/4	315/4
Sep	323/4	320/4	323/4	320/0
Dec	334/0	332/0	334/0	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.375	75.725	75.725	75.275
Dec	73.475	73.600	73.650	73.375
Feb	71.750	71.800	72.050	71.700
Apr	72.650	72.900	72.850	72.600
Jun	69.675	69.900	69.800	69.650
Aug	68.350	68.575	68.600	68.350
Oct	68.300	68.575	0	68.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.950	41.150	42.000	41.200
Dec	42.400	41.700	42.450	41.650
Feb	41.325	40.700	41.450	40.700
Apr	39.750	38.950	39.850	38.900
Jun	44.600	44.200	45.000	44.350
Jul	44.300	44.125	44.700	44.350
Aug	43.400	43.100	43.400	43.175
Oct	40.400	40.400	40.500	40.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.750	39.225	39.250	38.550
Mar	38.600	39.050	39.050	38.400
May	40.025	40.400	40.350	39.625
Jul	40.075	40.900	40.500	40.050
Aug	39.300	39.500	39.400	39.175

LONDON STOCK EXCHANGE

Heavy profit-taking hits share prices

By Terry Byland,
UK Stock Market Editor

THE NEW found confidence of the UK stock market was tested yesterday as uncertainties surrounding Britain's future relationship with the ERM combined with caution over the outlook for Wall Street. A heavy brokerage downgrade of ICI, still a core stock of the London market and of most institutional funds, struck a blow at an international blue chip sector already unsettled by a weaker US dollar.

Strategists noted uneasily that defensive sectors, such as the utilities, had returned to fashion and that some sizeable lines of stock had come on offer, although failure to attract buyers kept these potential deals from featuring on the Seaq trading screens.

The FT-SE Index, in retreat throughout the session, closed virtually at the day's low, with the fall of 41 points giving a final reading of 2,560. London was discouraged by a lacklustre opening to the new session on Wall Street, itself seen as overshadowed by President Bush's election campaign.

The deeper damage came on the domestic front, however, and reflected developments last weekend which indicated that both the UK Conservative government and the Labour opposition are in disarray over policies towards Maastricht and the ERM. Also, suggestions that Britain might be sidelined to a mini-ERM system unsettled City confidence in further cuts in UK base rates; such confidence was not helped by yesterday's rise in Irish interest rates.

Account Dealing Dates		
First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30 am two business days earlier.

These uncertainties were sufficient reason for some investors to take profits without waiting for the end of the equity trading account on Friday. The account will also ring down the curtain on the third quarter of the year for fund managers' portfolios.

The one point cut in base rates which followed Britain's temporary withdrawal from the ERM generated substantial profits among the retail and consumer-orientated stocks. Many fund managers have evidently decided to take such profits now and put the money into cash for the final two days of the third quarter.

Trading volume eased off somewhat yesterday, and the day's Seaq-recorded total of 487.6m shares compared with 693.3m on Friday, when retail of customer business remained high at a worth of £1.3bn. The value of retail-based equity business has now exceeded the £1bn daily benchmark level for the past eight trading sessions for a total of £14.4bn.

The strongly bearish review of ICI hurt the market and inspired a general review of the bullish economic view expressed in the City since sterling was effectively devalued. The consumer sectors were challenged by a strong warning from the chairman of Kingfisher, the leading store group, that the fall in sterling could mean higher retail prices.

However, share traders stressed that most of the damage to prices yesterday reflected an unwillingness by investors to buy any more stock at the moment. On the wider questions of strategy, fund managers appeared inclined to wait for clarification of the UK government's new economic policies.

FINANCIAL TIMES STOCK INDICES

	Sept 28	Sept 25	Sept 24	Sept 23	Sept 22	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.65	89.70	89.76	89.77	89.31	87.44	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.28	104.50	104.50	104.48	104.08	96.93	106.46 (14/9)	97.15 (2/1)	106.35 (8/7/92)	50.53 (3/1/75)
Ordinary Share●	1873.1	1914.0	1936.7	1901.8	1910.1	2021.6	2149.7 (22/5)	1870.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	77.1	78.8	78.3	80.5	80.3	155.6	180.6 (10/1)	85.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2560.0	2601.0	2621.2	2580.5	2586.0	2621.7	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1082.26	1114.66	1121.06	1117.50	1118.32	1171.82	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.73	4.62	4.56	4.63	4.61	4.64				
●Earning Yld %(full)	8.89	8.73	8.65	8.75	8.72	7.44				
●P/E Ratio(Net)(☆)	18.37	18.83	19.05	18.77	18.85	16.76				
SEAQ Bargns 5.00pm	21,886	29,229	27,447	28,898	29,992	26,640				
Equity Turnover(£m)†	-	1319.2	1417.8	1388.2	1965.4	714.6				
Equity Bargains†	-	32,791	30,976	32,879	34,051	27,288				
Shares Traded (ml)†	-	586.7	623.6	649.6	873.6	336.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ nil 17.04.

Ordinary Share Index, Hourly changes — Day's High 1898.1 — Day's Low 1873.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1895.0	1898.0	1886.2	1889.9	1891.4	1885.8	1880.1	1882.6	1874.5

FT-SE 100, Hourly changes — Day's High 2582.9 — Day's Low 2559.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2573.5	2580.3	2589.3	2577.1	2580.4	2573.1	2567.1	2569.4	2560.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1092.83 — Day's Low 1080.83

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1092.83	1090.31	1088.38	1088.95	1085.72	1083.46	1082.48

GILT EDGED ACTIVITY

Indices*	Sept 25	Sept 24
Gilt Edged Bargains	142.4	195.9
5 – Day average	206.2	211.4

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Analysts strike at ICI

A SAVAGE downgrade and sell recommendation on ICI shares by Hoare Govett, joint broker to the blue chip chemical group, sent the stock tumbling and had other brokers reaching for their red pens. The company appeared to have hinted at a poor third quarter's trading.

BZW, ICI's other broker, and Goldman Sachs revised forecasts down to £660m, and James Capel to £650m. Other houses are expected to follow suit today. The downgrades raised questions over whether ICI would maintain its dividend, which on Hoare's figures would barely be covered.

Hoare cut its 1992 profit forecast by 21 per cent to £620m – with 1993's forecast reduced from $1bn to £875m. It also moved from a hold to an overvalued stance, and analyst Mr Martin Evans believes that the shares are some 10 per cent overvalued. Yesterday's fall left the shares down 63 at 1145p.

ICI was believed to have told analysts that third quarter trading had been "bleak", with European bulk chemicals business particularly badly hit and US trading not helped by weakness in the dollar.

Drug stocks ease

Pharmaceutical stocks remained under pressure as US buyers continued to respond to "take profits" advice amid worries about a Democratic Party win in the US presidential elections. Not even positive trading news for two stocks could reverse the downward trend. Glaxo, still suffering from its comparison with US drugs group Merck, revealed good news for one of its leading products in France, but closed 24 off at 746p. Wellcome, which received US approval for one of its second line products, retreated 41 to 909p. The company was also endorsed by Merrill Lynch yesterday as "the best UK drug stock", despite a small downgrading by the US-owned broker.

Taking a different tack yesterday, Mr Andy Porter, drugs specialist at Nikko, advised clients to take advantage of a "classic UK buying opportunity" in the drugs sector. Mr Porter argued that the current US selling is prompted by currency worries and that the US political concerns are already in the price. He said that when the currency situation stabilised, UK drug stocks would need to be upgraded by around 10 per cent.

Cable & Wireless (C & W) remained in the firing line as worries about increased competition in international traffic were followed by a report that talks aimed at forging a link between C & W and US West, the US telecoms group, had been terminated.

C & W shares have been very active this year as the market has reacted to reports of imminent links with either AT & T or US West.

Analysts said the market had overreacted. "The merest hint of a shift in strategy by C & W will get the shares on the move; what the market needs to remember is that C & W is a strong, well-managed global company with a rapidly expanding earnings profile." C & W shares opened sharply lower at 555p but quickly rallied to close only 9 off at 573p after turnover of 3.2m.

Utilities responded to a series of recent brokers circulars suggesting that the water and electricity sectors had been oversold since the withdrawal from the ERM, a move that triggered an upsurge in interest-rate sensitive and cyclical stocks.

London Electricity rose 7 to 390p, while Wessex outperformed the water sector, closing 20 higher at 510p.

Very large turnover in Guinness followed French group LVMH (Moet Hennessy Louis Vuitton) increasing its stake in the drinks company to 24 per as part of a complex cross-share agreement between the two.

Yesterday's share purchase was caused by the take-up by Guinness in June of a batch of conversion shares which reduced LVMH's holding slightly below the agreed level.SG Warburg bought 11m Guinness shares at 555p for the French group in a move which had been anticipated for some weeks and had helped to maintain Guinness's share price.

It is thought the French group was waiting for some stability in the currency markets before making its purchase. Guinness shares closed at 540p, off 12. Turnover reached 26m.

Banks shares stumbled after recently outperforming the market, upset both by Press comment suggesting the sector had been overbought and also by hints of profit downgrades.

TSB, still burdened by market worries over the performance of its Hill Samuel merchant bank, drifted back 4 to 132p although turnover was an unremarkable 2.2m. Barclays drifted off 12 to 362p and Lloyds 14 to 452p. HSBC fell 56 to 406p on 6.2m.

Currency factors helped to lift Unilever, as dealers reported fund managers switching out of the Dutch NV and into the UK plc on a belief that that funds would benefit from faster earnings growth in sterling. The food group was also benefiting from talk in some quarters that it was relatively cheap. The shares rose 13 to 1082p.

Among brewery stocks, Grand Met slipped 26 to 423p after a large line of stock overhung the market and BZW downgraded the group; just before the close a block of 2m shares changed hands at 423p.

In a weak stores sector, Boots suffered along with the other drugs stocks, the shares retreating 14 to 483p. Kingfisher lost 20 to 515p as fears of a price war in the DIY business reappeared and the chairman was reported to have warned that prices may have to rise in the whole group as a result of sterling devaluation. Ladbroke also fell on DIY worries, the shares down 13½ at 160½p. Pentos declined 6 to 77 after SG Warburg was said to have crossed a block of 6.2m shares at 75p. Turnover reached 12.7m.

Kenwood Appliances, the electrical goods manufacturer, slumped 42 to 245p. Albert E Sharp, the stockbroker, visited the group and was said to have joined other broking houses in shifting its current year profits forecast to below £10m.

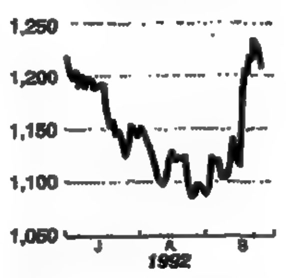
Holders of British Aerospace continued to sell the stock at every opportunity in the wake of last week's disappointing figures. The shares fell a further 9 to 116p in heavy trade of 5.9m. The company has invited analysts to a presentation this morning for what one observer called "an attempt to steady nerves". Suggestions that BAe could receive a bid offer from cash rich GEC, 3 up at 248p, continued to circulate.

Shares in motor components group T and N were heavily traded and volume rose to 11m, mainly due to one trade of 5.9m. Part of that block continued to overhang the market and the shares gave up 5 to 147p.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,
Christopher Price.

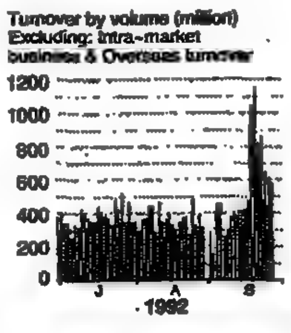
■ Other market statistics, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	[illegible]	466	+12	Comm. Union	1,900	528	-7	Lonrho	[illegible]	89	-3	Shell Transport	2,500	[illegible]	[illegible]
ASDA Group	12,600	33	+½	Cookson	1,800	151	-6	Lucas	1,800	82	-1	Siebe	1,000	[illegible]	[illegible]
Abbey National	2,300	365	-5	Courtaulds	1,800	468	-10	MB Caradon	[illegible]	230	-13	Slough Ests	941	102	[illegible]
Albert Fisher	670	35		Dalgety	[illegible]	420	-6	MEPC	[illegible]	270	-8	Smith (W H) A	285	449	-10
Allied-Lyons	2,400	555	-16	De La Rue	[illegible]	843	+1	Maxwell	21	431	-6	Smith & Nephew	4,000	142½	-6
Amstrad	263	25	-1	Dixons	1,200	226		Marks & Spencer	1,200	324	-5	SmKl Beecham	4,800	473	-8
Anglian Water	1,780	429	+7	Eastern Elect.	1,000	361	+5	Midlands Elect.	316	[illegible]		SmKl Beecham Uts.	3,100	430	-8
Argos	616	246	-1	East Midland Elect.	1,000	361	+6	NFC	[illegible]	267	-8	Smiths Inds	[illegible]	[illegible]	
Argyll Group	1,880	332	-3	Eng China Clays	1,800	444	-8	NatWest Bank	1,700	380	-5	Southern Elect.	1,100	377	+2
Arjo Wiggins	1,880	191	-4	Enterprise Oil	[illegible]	412		National Power	1,300	286	+1½	South Wales Elect.	17	442	+1
Ass. Brit. Foods	27	415	-1	Eurotunnel Units	130	417	-3	Next	1,100	[illegible]	-3	South West Water	[illegible]	438	+6
Ass. Brit. Ports	1,900	[illegible]	-7	FKI	[illegible]	69	-2	North West Water	1,700	[illegible]	+5	South West. Elect.	[illegible]	387	-1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	5,900	116	-9	ICI	1,600	1145	-63	Rothmans	357	[illegible]	-10	Vodafone	1,000	331	-4
British Airways	2,600	[illegible]	-3	Inchcape	1,000	[illegible]	-14	Ryl Bk Scotland	1,000	[illegible]	-2	Warburg (SG)	[illegible]	515	-19
British Gas	4,400	[illegible]	-2	Kingfisher	1,800	515	-20	Royal Insurance	2,700	[illegible]	-3	Wellcome	2,100	909	-41
British Land	205	146	-4	Kwik Save	212	[illegible]	-4	Saatchi	[illegible]	[illegible]	-1	Welsh Water	[illegible]	453	+8
British Steel	5,300	61	-1½	Ladbroke	3,100	160½	-13½	Sainsbury	2,400	[illegible]	+2	Wessex Water	[illegible]	510	+20
Bunzl	2,300	164	+2	Land Securities	1,000	[illegible]	-3	Scottish & New.	[illegible]	425	+1	Whitbread 'A'	1,000	445	-8
Burmah Castrol	405	656	-3	Laporte	445	[illegible]	-10	Scot. Hydro-Elect.	543	201½	+2	Williams Hldgs.	791	[illegible]	[illegible]
Burton	5,800	37½	-3	Legal & General	[illegible]	346	-12	Scottish Power	[illegible]	179	+1	Willis Corroon	[illegible]	[illegible]	-4
Cable & Wire.	3,800	573	-9	Lloyds Abbey	[illegible]	374	-9	Sears	4,300	77	-2	Wimpey	1,700	101	-6
Cadbury Schweppes	[illegible]	449	-5	Lloyds Bank	1,900	452	-14	Sedgwick	1,800	162	-3	Wolseley	[illegible]	[illegible]	-6
Calor Group	52	[illegible]		LASMO	2,400	[illegible]	-5	Seaboard	1,400	391	+1	Yorkshire Elect.	[illegible]	460	+1
Carlton Comms.	[illegible]	646	-1	London Elect.	1,200	390	+7	Severn Trent Water	1,800	407	+7	Yorkshire Water	[illegible]	457	+8
Coats Viyella	1,500	292	-6½												

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS in the derivatives reported a dull session as the weekend worries over the outlook for the UK economy continued yesterday, writes Joel Kibazo.

Bear closing early in the session saw the December contract on the FT-SE advance from its starting position of 2,638 to 2,643 within the first hour of business.

The worries over the economy along with the profits downgrade in ICI by its joint broker sent a chill around the market and December fell back to 2,619 at around 10am.

For the next few hours, December traded in a range of 2,620 to 2,635 before the weakness in other European markets and another bout of selling over the lunch time period caused it to fall to 2,615, the low point of the day.

December remained volatile during the afternoon and closed at 2,621, down 29 on Friday's close and around 20 points above its fair value premium to cash of about 40. Turnover was poor reaching only 7,364 lots.

In the traded options, total turnover was just 30,352 contracts, of which a mere 7,463 were dealt in the FT-SE 100 option. Barclays bank was the most actively dealt stock option with a day's total of 1,334 trades.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday September 28 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Sep 25 Index No.	Thu Sep 24 Index No.	Wed Sep 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	766.73	-1.3	7.56	5.71	17.09	26.19	776.84	779.69	766.34	859.60
2	Building Materials (23)	737.62	-2.6	7.14	7.45	19.43	30.02	757.21	769.83	764.14	1050.71
3	Contracting, Construction (27)	618.44	-1.7	3.15	8.17	350.83	29.27	629.03	627.09	623.79	1167.31
4	Electricals (9)	2117.45	-2.5	7.94	7.11	16.66	85.80	2171.82	2192.08	2149.22	2655.25
5	Electronics (27)	2058.46	+0.2	7.85	4.19	15.09	47.93	2054.38	2034.01	1900.65	1813.79
6	Engineering-Aerospace (6)	273.62	-2.4	13.17	8.55	9.63	13.53	280.36	280.81	277.39	377.60
7	Engineering-General (43)	466.66	-1.2	8.67	5.03	14.71	14.37	472.14	471.47	469.97	496.87
8	*Metals and Metal Forming (7)*	311.48	-1.3	5.58	7.03	26.06	7.52	315.68	316.07	317.73	469.18
9	Motors (14)	308.82	-1.6	8.58	7.65	15.34	14.69	313.75	314.78	314.27	357.59
10	Other Industrial Materials (19)	1778.28	-1.2	7.05	4.69	17.12	57.80	1799.64	1813.03	1756.20	1652.68
21	CONSUMER GROUP (191)	1580.01	-1.9	7.30	3.67	16.96	32.79	1611.20	1628.71	1615.32	1556.83
22	Brewers and Distillers (25)	1971.03	-3.0	8.46	3.74	14.26	41.39	2031.77	2080.55	2076.22	1947.63
25	Food Manufacturing (19)	1195.35	-0.6	8.96	4.42	13.79	28.04	1202.57	1205.74	1183.75	1232.76
26	Food Retailing (18)	2675.44	-0.7	9.26	3.46	14.01	48.07	2693.39	2684.09	2667.53	2495.05
27	Health and Household (25)	3968.89	-2.7	5.58	2.79	20.78	68.85	4079.76	4134.10	4194.56	3707.85
29	Hotels and Leisure (18)	1053.66	-2.8	7.64	6.48	17.09	38.53	1083.62	1094.64	1053.53	1343.24
30	Media (26)	1623.88	-1.1	6.08	3.24	20.51	32.89	1642.36	1640.78	1595.50	[illegible]
31	Packaging, Paper & Printing (17)	734.38	-0.2	6.91	4.41	18.02	22.00	735.55	737.26	727.80	779.04
34	Stores (34)	1028.73	-1.7	6.91	3.65	19.29	10.84	1046.48	1064.37	1035.29	1080.30
35	Textiles (9)	676.70	-1.4	6.97	4.53	18.07	16.42	686.08	685.90	670.21	628.50
40	OTHER GROUPS (117)	1288.59	-0.7	9.71	5.27	12.90	39.94	1298.26	1305.19	1282.35	1306.52
41	Business Services (17)	1361.14	-0.9	6.59	3.87	18.62	23.67	1373.50	1366.14	1343.68	1419.09
42	Chemicals (22)	1387.08	-3.5	7.07	5.23	17.56	48.13	1437.62	1451.62	1432.55	1486.80
43	Conglomerates (10)	1268.44	-1.3	9.09	8.67	14.08	38.55	1284.68	1311.42	1273.87	1553.13
44	Transport (14)	2511.42	-0.8	8.01	4.71	15.37	74.86	2531.01	2500.07	2449.85	2405.64
45	Electricity (16)	1384.22	+0.6	15.03	5.30	8.58	55.01	1375.29	1362.49	1347.53	1268.37
46	Telephone Networks (4)	1440.18	-0.5	10.49	4.59	12.42	46.15	1447.05	1476.94	1464.54	1581.24
47	Water (11)	2906.00	+1.5	15.41	5.96	7.18	86.85	2864.00	2835.34	2786.24	2439.28
48	Miscellaneous (23)	2219.34	-0.4	5.97	4.55	21.01	55.15	2228.58	2233.69	2159.78	1926.24
49	INDUSTRIAL GROUP (483)	1284.29	-1.4	8.14	4.55	15.38	33.98	1303.01	1313.18	1296.39	1307.53
51	Oil & Gas (17)	2029.78	-0.8	6.65	6.39	19.71	84.69	2045.29	2045.13	2023.58	2426.35
59	500 SHARE INDEX (500)	1354.00	-1.4	7.98	4.74	15.74	37.99	1372.76	1382.37	1365.01	1404.10
61	FINANCIAL GROUP (83)●	759.57	-1.9	-	5.81	-	29.00	774.07	769.00	749.29	834.52
62	Banks (9)●	1034.58	-2.1	5.03	5.37	29.83	39.95	1056.33	1056.15	1025.51	981.39
65	*Insurance (Life) (6)*	1567.92	-1.5	-	5.83	-	66.22	1581.84	1572.37	1532.01	1588.64
66	Insurance (Composite) (7)	536.00	-2.2	-	5.61	-	16.37	547.98	534.84	521.00	628.81
67	Insurance (Brokers) (10)	716.43	-1.5	9.97	7.84	13.16	39.90	727.26	683.82	694.48	1151.47
68	Merchant Banks (7)	466.66	-1.8	-	4.76	-	13.08	475.00	474.02	471.26	482.27
69	Property (30)	549.46	-1.3	10.28	8.10	12.91	22.28	556.90	554.82	532.44	966.06
70	Other Financial (14)	242.44	-0.9	8.24	6.88	15.93	7.01	244.57	243.74	243.52	263.31
71	Investment Trusts (70)	1160.93	-0.7	-	3.87	-	26.39	1169.68	1169.58	1159.29	1254.57
99	ALL-SHARE INDEX (653)●	1210.82	-1.4	-	4.86	-	35.34	1228.23	1234.41	1216.92	1265.46

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Year ago
FT-SE 100 SHARE INDEX‡	2560.0	-41.0	2582.9	2559.9	2601.0	2621.2	2580.5	2586.0	2560.1	2621.7

FIXED INTEREST

	PRICE INDICES	Mon Sep 28	Day's change %	Fri Sep 25	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	125.06	+0.20	125.08	2.10	9.31
2	5-15 years (25)	139.42	+0.13	139.24	1.73	10.59
3	Over 15 years (8)	144.85	-0.32	145.32	1.33	9.97
4	Irredeemables (6)	163.24	-0.68	164.35	3.32	8.83
5	All stocks (61)	136.76	+0.09	136.73	1.85	10.25
	Index-Linked					
6	Up to 5 years (2)	176.15	+0.11	175.97	0.42	3.25
7	Over 5 years (10)	157.14	+0.42	156.48	0.79	3.64
8	All stocks (12)	158.56	+0.37	157.97	0.74	3.56
9	Debs & Loans (63)	117.96	+0.16	117.78	2.10	9.13

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 28	Fri Sep 25	Year ago (approx.)
	British Government				
1	Low	5 years	7.90	7.92	8.52
2	Coupons	15 years	8.74	8.71	9.33
3	(0%-7¾%)	20 years	8.97	8.93	9.33
4	Medium	5 years	8.51	8.57	9.48
5	Coupons	15 years	9.19	9.17	9.48
6	(8%-10¾%)	20 years	9.41	9.38	9.46
7	High	5 years	8.79	8.86	9.76
8	Coupons	15 years	9.41	9.38	9.56
9	(11%-)	20 years	9.48	9.42	9.48
10	Irredeemables		9.44	9.37	9.54
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.53	3.56	4.26
12	Inflation rate 5%	Over 5 yrs	4.15	4.18	4.22
13	Inflation rate 10%	Up to 5yrs	2.76	2.78	3.15
14	Inflation rate 10%	Over 5 yrs	3.96	3.99	4.04
15	Debs &	5 years	9.99	10.00	11.26
16	Loans	15 years	10.50	10.51	11.03
17		25 years	10.53	10.54	10.85

‡Opening index 2573.5; 9 am 2580.3; 10 am 2589.3; 11 am 2577.1; Noon 2580.4; 1 pm 2573.1; 2 pm 2567.1; 3 pm 2569.4; 3.30 pm 2566.5; 4 pm 2560.7. (a) 10.47am (b) 4.25pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ● The HSBC dividend is not subject to Advance Corporation Tax at 25%.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (30)
BRITISH FUNDS (30) Tr 8½pc '94, Ex 13½pc '94, Tr 10pc '94, Ex 12¼pc '94, Ex 10¼pc '95, Tr 15¼pc '96, Ex 13¼pc '96, Cv 10pc '96, Tr 13¼pc '97, Ex 10½pc '97, Tr 8¾pc '97, Ex 15pc '97, Ex 9¾pc '98, Tr 6¾pc '95-98, Tr 15½pc '98, Ex 12pc '98, Tr 9½pc '99, Cv 10¼pc '99, Tr 10½pc '99, Cv 9pc '00, Tr 13pc '00, Tr 10pc '01, Tr 14pc '98-01, Tr 2pc IL '96, Tr 4⅝pc IL '98, Tr 2½pc IL '01, Tr 2½pc IL '03, Tr 4⅝pc IL '04, [illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100	—	100	97¼	8.25	8.09
10pc 1993‡‡		101½	—	101	99½	9.88	8.14
12½pc 1993‡‡		102¾	—	102	100½	12.09	7.92
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
9pc 2000‡‡		101¾	+⅛	102	94⅝	8.85	8.83
Treas 13pc 2000		121⅛	+⅛	121⅛	114	10.72	9.10
10pc 2001		105⅛	+¼	105⅛	99	9.50	8.87
14pc '98-01		121	+⅛	121	115	11.52	9.04
9¾pc 2002		105⅛	+⅛	105⅛	98⅛	9.28	8.92
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
4⅝pc '98	(135.3)	171½	+⅛	171½	151	3.87	4.12
2½pc '01	(78.3)	188⅛	+⅛	188	139⅛	3.78	4.07
2½pc '03	(78.8)	148⅛	+⅛	150½	135	3.81	4.09
4⅛pc '04	(135.3)	17½	+⅛	17½	16⅛	3.81	4.11
[illegible]							

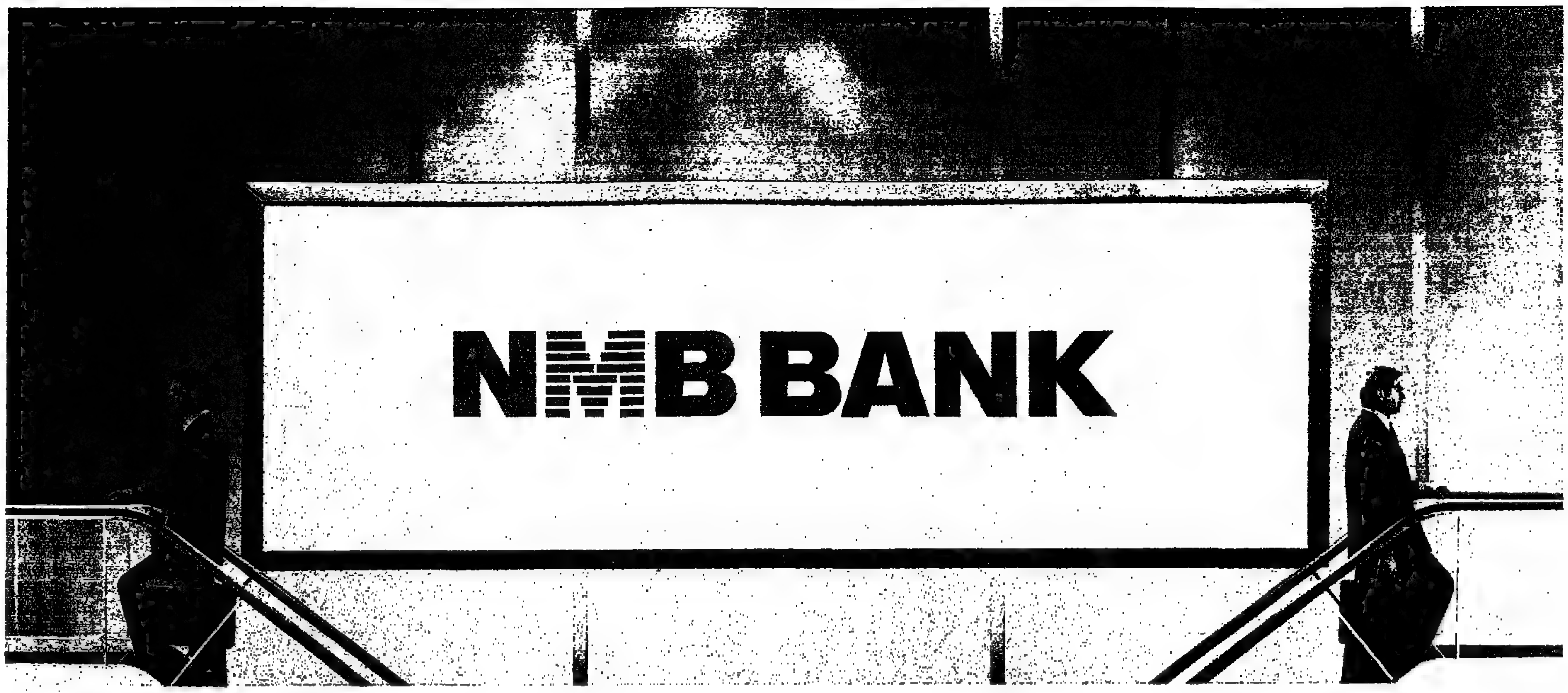
OTHER FIXED INTEREST

[illegible]

Internati
Nederlan
Bank

هكذا من الكل

Then.



Now.

NMB Bank has changed its name. We are now ING Bank, or in full, Internationale Nederlanden Bank.

We have made the change to emphasise that we are part of ING Group, one of Europe's major financial institutions.

Behind the new name, you will find the same distinctive and innovative international banking strengths. With over 60 offices in more than 30 countries, we are a world leader in Emerging Markets Banking; we hold a prominent position in Trade & Commodity Finance; and we are showing significant growth in International Private Banking and International Corporate Banking.

Now, as ING Bank, we are continuing to build upon these strengths for the future.

Internationale
Nederlanden
Bank

ING BANK

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs ......h	[illegible]	-⅛	19⅛	14⅞	13,917	2.1
♥Allegheny & W.	348p	-11	387p	226p	188.8	5.0
Amdahl	525p	-18	1159p	525p	588.0	1.1
Amer Cyanamid	32⅝	-1	37	28⅝	2,943	3.0
Amer Express	12⅞xd	-⅛	13⅞	10⅞	6,108	4.6
Amer T & T	25⅛xd	-⅛	25⅞	20⅛	33,748	3.0
Ameritech	40	+⅛	40	32½	17,513	5.1
BankAmerica	28xd	-⅞	27⅛	19⅞	8,613	3.1
Bankers NY	37xd	+⅛	37⅞	28⅞	2,959	4.4
Bell Atlantic	28	-⅛	28⅛	23⅛	12,088	5.4
BellSouth	30⅛	-⅛	32⅞	25	14,849	5.3
♥Bethlehem Steel	6⅞xd	-⅛	9⅝	5⅛	827.6	–
Bowater	1167pxd	-6	1579p	905p	421.8	6.0
CPC ......h	28⅛xd	-⅛	28⅞	22⅛	4,278	2.5
♥Cadiz Land Inc.	128p	—	342p	128p	–	–
Chase Manhattan	12⅞xd	+⅛	16½	9⅛	1,845	5.4
Chrysler	12½xd	-⅞	13⅞	8⅛	3,665	2.8
Citicorp	9⅛xd	—	11⅛	5⅛	3,281	–
Colgate-Palm.	33⅛xd	-⅛	33½	25⅛	5,284	2.2
Cont'l Bank	941p	-20	1028p	499p	850.6	3.7
Dana	22⅞xd	-½	24½	14⅞	1,028	4.2
Data General	643p	+26	1004p	384p	177.2	–
♥Decora Inds.	116p	—	122p	66p	–	–
Dun & Brad.	[illegible]	-⅛	33½	27⅝	4,910	4.0
Eaton	45	-⅛	46½	32½	1,563	2.9
Echlin	11½xd	-⅛	11⅛	7⅛	661.4	3.6
FPL	21⅞xd	-⅛	21⅛	17⅞	3,804	6.8
Fluor	25⅛xd	-⅛	27	19⅛	2,047	0.9
Ford Motor	22⅞xd	-1⅛	26⅛	15	10,668	2.6
Gen Elect	45⅛xd	-⅛	46⅛	36⅛	38,704	3.0
♥General Host	543p	-14	584p	360p	–	3.8
Gillette	33⅛xd	-⅞	34⅞	23⅞	7,256	1.3
Hasbro	19⅛	-½	19⅝	12⅛	1,669	0.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

هكذا عند الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	169	-2	179	147	3.5	189.3	15.7
Warrants	28	-1	38	21	–	–	–
Scot Mortgage	153	-3	167	135	3.4	184.5	17.1
Scot National Inc	74	—	107	65¾	18.9	–	–
Cap	23	-1	42	12½	–	–	–
Stepped Pf	142	—	142¼	126	6.7	–	–
Zero Div Pf	189	—	190	168½	–	–	–
Warrants	8	—	9	3	–	–	–
Scot Value	61	—	84	48	3.9	59.8	-1.6
Sec Alliance	1209xd	-7	1289	1066	4.8	1369.7	11.8
Second Market	249	-1	249	222	0.8	319.1	23.3
Sec Tst Scot	68	-½	78½	61	8.4	71.0	4.8
Select Assets	87	—	102½	78½	1.3	132.5	34.3
Eq Ind Sert	114	-1	123	106	6.9	–	–
Eq Ind Sert	114	-1	123	106	6.8	–	–
Shires	295	-1	249	188	12.9	203.6	0.7
11pc Cv Ln '03/04	£107½	—	£118½	£95½	10.2	–	–
Sam Select	74	+1	81	58	8.5	117.2	37.3
Warrants	10	—	21	10	–	–	–
Smaller Cos	72	—	85	66	4.6	80.1	10.8
Warrants	16	—	28	10	–	–	–
Somerset Tst	122	—	148	55	–	85.1	-43.4
Sphere Inc	12½	—	20	9½	33.1	19.6	36.6
Zero Div Pf	70¼	-½	77¾	63¼	–	–	–
Samit	31	—	55	30	5.4	92.6	66.5
TR City of Lon	112½	-½	127½	97½	5.6	110.6	-1.3
TR Euro Growth	73	-2	89	70	2.5	100.3	27.2
Ptg Sub	34	—	94	34	5.3	–	–
TR Far East Inc	95	—	96	76	[illegible]	105.0	10.0
Warrants	13	—	22	12	–	–	–
TR High Inc	95	—	118	91	8.1	96.5	0.0
Sub	28	—	35	31	4.7	–	–
TR Pacific	87	-1	99	70	[illegible]	[illegible]	9.1
TR Prop	16½	-¼	27	14½	11.7	31.5	47.7
TR Smaller	118	—	162	98	4.2	130.2	9.7
TR Technology	85	—	87	18	0.0	94.7	72.5
Stepped Pf	97¼	—	102¼	89¾	7.6	–	–
Zero Pf	178	—	188½	154½	–	–	–
Temple Bar	253	-2	277	225	6.9	268.6	6.4
6pc Cv Ln 2002	£88	—	£117½	£80	6.1	–	–
Templeton Em	190	—	224	165	1.7	196.3	-1.6
Warrants	87	—	100	69	–	–	–
1pc Cv Ln 2001	£158	—	£228½	£162½	0.8	–	–
Thompson Clive	119	—	138	88	4.3	182.0	34.9

[illegible]

MEDIA - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
TVTR	48	—	65	43	3.28	10.1	11.5
WPP	38	—	115	31	73.9	–	–
Warrants	3	—	8½	1½	0.16	–	–
Watmoughs	449xd	+3	489	391	147.1	3.1	19.5
Yorkshire Tyne-T	142	-2	191½	142	70.9	11.3	5.0

MERCHANT BANKS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	31	—	34	26	57.9	–	–
Benngs 8pc Cm 2nd Pf	98	-1	100	83½	12.5	10.9	–
9¼pc Non-Cum Pf	118	-1	126	103¼	47.2	11.0	–
Brown Shipley	42	-2	204	42	6.70	–	–
Close Bros	222xd	+2	287	205	87.6	5.8	◆
Hambros	242	-2	292	202	418.7	7.6	8.8
7½pc Cv Pf	105½	-½	119	91½	156.2	6.5	–
Joseph (L)	310	—	333	300	[illegible]	5.8	–
Kleinwort Benson	289	-7	324	212	370.9	7.4	25.3
Rea Bros	29	—	37	25	11.4	2.3	–
Schroders	1245	—	1385	1043	798.5	1.9	14.4
N/V	1045	—	1158	853	137.2	2.3	12.1
Singer & Fried	48xd	—	69	34	76.9	8.3	8.8
Warburg (SG)	615	-19	695	403	1,077	4.7	10.3
8pc Cv Pf	175	-6	284	137	74.5	4.6	–
Wintrust	208	—	253	208	17.6	6.0	6.0

METALS & METAL FORMING

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	68xd	-1	165	50	58.4	‡	15.7
Apollo Metals	94	—	147	92	11.1	4.9	10.2
Ash & Lacy	126	—	159	123	33.4	6.6	9.7
Barrett (H)	12	—	45	12	3.21	‡	27.8
Billam (J)	134xd	—	144	84	2.17	4.3	8.2
Brit Steel	61	-1½	86	45	1,228	9.8	58.1
ICI	19½	—	35	15	10.9	14.6	7.6
Castings	178	—	185	118	37.4	3.1	12.1
Chamber & Hill	96	—	149	90	8.94	8.4	6.3
Cohen (A)	318	—	409	305	5.75	4.3	–
Cook (Wm)	149	—	335	142	32.4	8.9	8.2
Cooper (F)	38	—	69	22	10.7	17.6	14.5

[illegible]

OIL & GAS - Cont.

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

STORES - Cont.

[illegible]

MINES - Cont.

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Harris Gold C$	24½	-¼	[illegible]	13¼	489.9	2.1
‡‡Ivernia West IC	38	-1	88	32	19.1	–
‡‡Kells Minis IC	19	—	49	14	0.49	–
Kenmare	3½	—	8½	2¼	3.38	–
Malinga Res	18½	—	49	12	2.04	–
‡‡Navan Res IC	29	—	28	16	3.48	–
North West Expl AS	3	—	6	2	1.01	–
Oryx Gold	54	-½	100	51	–	–
Plateau	38	—	13	3	1.37	–
RTZ	627xd	-8	699	489	6,289	4.1
Vizcaya	1¼	—	3	1	0.64	–
Western & Pac C$	28½	-½	66	7	11.2	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Mondays.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☐ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◊ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ Ring +44 81-643 7181, quoting the code FT3078. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
Annual subscription £250.00 stg
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	127.5	128.0	135.6	-2.60	0.04
AIB Grofund Equity	5	179.2	181.7	192.3	-3.00	2.58
AIB Grofund Euro	5	137.2	139.8xd	147.1	+0.20	0.43
AIB Grofund Gilt	3	71.13	71.14xd	73.34	+0.03	6.04
AIB Grofund Japan	5	117.3	118.7	124.9	-1.30	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H

Equity & Law Ho, Corporation St, Coventry 0203 553231

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	78.58	79.69	85.23	-0.92	2.40
Do (Accum)	6	84.80	86.00	91.98	-0.99	2.40
Smaller Cos	6	59.28	59.28	63.40	-0.54	2.32
Do (Accum)	6	63.31	63.31	67.71	-0.58	2.32
Higher Yield	6	31.09	31.51	33.70	+0.20	5.26
Do (Accum)	6	41.54	42.11	45.03	+0.27	5.26
American Gth Inc	6	38.93	38.93xd	41.64	-1.26	0.33
Do (Accum)	6	39.67	39.67	42.43	-1.28	0.33
European Growth	6	84.54	84.54xd	90.42	-0.64	2.04
Do (Accum)	6	85.33	85.33	91.26	-0.64	2.04
Global Bond Inc	6	26.44	26.48	28.11	-0.02	5.87
Do (Accum)	6	31.69	31.73	33.60	-0.02	5.87
Managed P'folio Inc	6	26.51	26.61xd	28.46	-0.28	0.00
(Do Accum)	6	26.58	26.66	28.54	-0.28	0.00
Pacific Growth Accum	6	69.80	69.80	74.65	-1.10	1.13
Intl Strat Opps Accum	6	60.02	60.02	64.20	-0.71	0.77

Brown Shipley & Co Ltd (1000)F

9-17 Perrymount Rd Haywards Hth 0444 412262

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

هكذا الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries. 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	112.60	112.90	118.80	+0.20	6.19
Pooled Pension	3½	131.1	135.7	140.4	...	--
Smaller Cos	5	51.04	52.05	55.43	-0.05	2.95
UK General	5	103.40	105.20	110.70	-1.40	2.81

Sheppards Unit Trust Mngmt Ltd (1200)F

Singer & Friedlander UT Mgmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1600)F

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or −	Yield Gross
Gartmore Fund Managers (IoM)				
Intl Inc	15 6	16 6	+0.17	12 0
Projected Yield				
John Govett Management (IoM) Ltd				
[illegible]	$17 894		–	–
Paragon Plus Red Sep 1	£8 49		–	–
Paragon Stlg Red Sep 1	£10 06		–	–
SE Asian Yld NAV Sep 24	$9 40		–	–
Govett Higd Fsre Sep 25	£14 15	15 47	–	–
Govett Higd Fsre Sep 25	$10 14	11 09	–	–
[illegible]	$12 38		–	–
[illegible] Sep 25	$5 33		–	–
[illegible]	$8.55		–	–
IBI Global Funds Limited				
Intl Stlg Gwth	£18 57	19 56	–	–
Intl $US Gwth	$17 49	18 99	–	–
High Income Gilt	£24 60	25 50	–	–
[illegible] Equity	£18 52	19 51	–	–
[illegible] Bond	£20 97	21 74	–	–
Managed Currency	£26 22	26 49	–	–
Sterling Currency	£26 03	26 31	–	–
US$ Currency	$37 62	38 01	–	–
Irish £ Currency	I£14 85	15 01	–	–
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8 15	8.80	–	–
B F Offshore Inc Fd Ltd	£10 52	11 03	–	–
Nelson Nelms W/W S/S	£8 81	9 15	–	–
LFM Sterling Fd	£10 53	10 98	–	–

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36453
AIB Currency Funds Ltd						
Intl Managed Bond	5		IL-20 7249	20 7249	–	–
Managed Capital Bd	5		IL-21 4983	20 8977	–	–

	Bid Price	Offer Price	+ or −	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc.	£1.546	1.659	−0 025	2 77
Japan Inc & Gwth	£1 315	1 411	−0 004	2.06
Sterling Denominated Growth Funds				
Capital Deposit	£37 28	37 29		–
European Perform	£0 4131	[illegible]	−0.0017	–
Far East	£2.212	2.378	−0.030	–
[illegible]	£3.128	3.363	−0 040	–
UK Growth	£1 129	1.214	−0 018	2.35
£ Mng Portfolio	£1 447	1 564	−0 010	–
US Dollar Denominated Growth Funds				
[illegible]	$0.684	0 735	−0 009	–
Japan Performance	$2.141	2.302	+0 001	–
Gtd NW 1994	$8 99		–	–
MIM London Agents				
Apollo Fd Sep 23	SFr77 0	82 03		–
*Weekly Dealing †Fortnightly Dlng **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inc Port	£2 307	2 423		1.36
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 65	9 70	+0 05	9 70
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Sep 24	$14 25	14.55		2 75
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55 0		8.50
UK Equity Fd (z)	197 4	210 0		3 05
*Intl Bond Fd.	94.0	97 0		[illegible]
**Natural Resources Fd	109 7	118.0	–	0.42
*Sterling Mngd Asstd Fd.	502.2	529 0		5.00
*Sub. day every Thurs. **Sub day monthly 5th and 20th				
NatWest TrustCor Currency Fund (z)				
Dollar Class	$37 9361		+0 0025	–
Sterling Class	£26 4972		+0.0072	–
D-Mark Class	DM82 1407		+0 0185	–
Dutch Guilder Class	Dfl81 7412		+0 0149	–
Japanese Yen Class	Y7910.0799		+0 8096	–
Ashburton Rosline Portfolio Ltd				
[illegible]	10.58	11.04	–	–
[illegible]	$10.21	10.60	–	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls as franc rallies

THE DOLLAR fell more than three pfennigs against the D-Mark on the foreign exchanges yesterday as investors prepared themselves for a potentially poor set of US economic indicators this week, *writes James Blitz.*

After a fortnight of turmoil in the European exchange rate mechanism, trading in the major European currencies eased and dealers turned their attentions once again to the dollar.

The French franc rallied to a close of FFr3.373 against the D-Mark, nearly 6 centimes above its floor. This suggested that the united stand of the Bundesbank and the Bank of France had avoided a humiliating devaluation. The Swedish central bank lowered its marginal lending rate to 40 per cent from 50 per cent as pressures on the Swedish crown eased, and the Belgian National Bank cut its key advances rate by 10 basis points to 9 per cent.

By contrast, the dollar came under intense pressure as investors speculated on whether there will be another cut in US interest rates this week in response to poor economic data. The market's attention is fixed on Friday's figure for the September non-farm payroll, which is expected to reveal a sluggish underlying trend. As Mr Gerard Lyons of DKB International observes, 10 of the 13 US interest rate cuts that have been made since the beginning of last year happened either on or in the days following a non-farm payroll figure, while 2 were in the days before. The dollar closed more than 3 pfennigs down against the D-Mark at DM1.4510.

Now that sterling is floating outside the ERM, the currency is even more sensitive to fluctuations in the dollar/D-Mark rate. Yesterday afternoon, it slumped to a historic low against the D-Mark in US trading of DM2.5080 from the previous low of DM2.5090.

The pound has been further undermined by the lingering uncertainty over the course of UK economic policy and the contrasting calls on the European continent to consolidate the harder core of the ERM. The pound closed in London 3¼ pfennigs down on the day at DM2.51. Investors have tended to think that there could be another sharp fall in sterling if it breaches the DM2.50 level.

The strength of the French franc and fears over a two-speed Europe weakened the higher-yielding currencies inside the ERM. The Irish central bank raised its short term facility rate to 13.75 per cent from 10.75 per cent after dealers reported that the Irish punt had touched its ERM floor against the D-Mark of DM2.6190. The Irish punt later closed against the D-Mark at DM2.6275. The Spanish peseta also weakened against the D-Mark, closing at Pta70.31, close to its ERM floor against the D-Mark of Pta72.62.

£ IN NEW YORK

Sep 28	Close	Previous Close
£ Spot	1.7312 - 1.7322	1.7120 - 1.7130
1 month	0.85 - 0.83pm	[illegible]
3 months	2.44 - 2.41pm	2.45 - 2.42pm
12 months	7.90 - 7.80pm	7.85 - 7.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 28	Previous
8.30 am	82.7	82.9
9.00 am	82.7	82.9
10.00 am	82.6	82.9
11.00 am	82.8	82.7
Noon	82.9	82.7
1.00 pm	83.0	82.3
2.00 pm	83.0	82.3
3.00 pm	82.8	82.5
4.00 pm	82.6	82.9

CURRENCY MOVEMENTS

Sep 28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	82.6	-27.5
U.S. Dollar	[illegible]	-16.8
Canadian Dollar	94.4	-6.4
Austrian Schilling	113.7	+14.6
Belgian Franc	115.7	[illegible]
Danish Krone	114.9	[illegible]
D-Mark	124.6	+20.7
Swiss Franc	115.3	[illegible]
Dutch Guilder	119.5	+19.8
French Franc	109.9	-8.4
Lira	91.3	-26.4
Yen	147.7	+86.0
Peseta	100.9	-23.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.25

CURRENCY RATES

Sep 28	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	[illegible]	0.785751
U.S. Dollar	3.00	1.43982	1.35974
Canadian $	5.34	1.78538	1.68962
Austrian Sch	8.25	14.9698	13.9469
Belgian Franc	8.00	43.9613	40.7923
Danish Krone	9.50	8.25737	7.64311
D-Mark	8.25	2.12733	1.98250
Dutch Guilder	8.00	2.38549	2.22916
French Franc	10¼	N/A	6.67770
Italian Lira	15.00	N/A	1668.28
Japanese Yen	3.25	173.642	162.625
Norway Krone	-	[illegible]	[illegible]
Spanish Peseta	-	146.212	139.450
Swedish Krona	50.0	7.99532	7.41672
Swiss Franc	6.00	1.86821	1.73639
Greek Drach	19	N/A	253.062
Irish Punt	-	N/A	0.753905

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 25

OTHER CURRENCIES

Sep 28	£	$
Argentina	1.7105 - 1.7135	0.9900 - 0.9910
Australia	2.3990 - 2.4010	1.3910 - 1.3920
Brazil	10721.5 - 10728.0	6210.50 - 6210.75
Finland	7.9500 - 7.9550	[illegible]
Greece	318.500 - 325.560	185.350 - 189.550
Hong Kong	13.3290 - 13.3460	7.7295 - 7.7305
Iran	2716.00*	1635.00*
Korea(Sth)	1335.95 - 1357.45	[illegible]
Kuwait	0.50500 - 0.50700	[illegible]
Luxembourg	51.75 - 51.85	29.90 - 30.00
Malaysia	4.3210 - 4.3340	[illegible]
Mexico	5186.10 - 5197.75	3103.00 - 3105.00
N Zealand	3.2125 - 3.2165	1.8625 - 1.8645
Saudi Ar	6.3745 - 6.5260	3.7495 - 3.7505
Singapore	2.7555 - 2.7635	[illegible]
S Af (Cm)	4.8965 - 4.9095	2.8350 - 2.8370
S Af (Fn)	7.0120 - 7.0550	4.0650 - 4.0900
Taiwan	43.55 - 43.75	25.25 - 25.35
U.A.E.	6.2415 - 6.3920	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.55 $63.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.7923	-2.77	3.05	44
Dutch Guilder	2.29193	2.22916	-2.74	3.02	43
D-Mark	2.03412	1.98250	-2.54	2.81	43
French Franc	6.82216	6.67770	-2.12	2.36	14
Danish Krone	7.75901	7.64311	-1.49	1.72	-17
Irish Punt	0.759300	0.753905	-0.71	0.91	-52
Portuguese Escudo	176.844	175.842	-0.57	0.77	-5
Spanish Peseta	139.176	139.450	0.20	0.00	-19

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7140 - 1.7340	1.7295 - 1.7305	0.85-0.83cpm	5.83	2.44-2.41pm	5.61
Canada	2.1395 - 2.1565	2.1505 - 2.1515	0.75-0.70cpm	4.04	1.92-1.77pm	3.43
Netherlands	2.8175 - 2.8475	2.8175 - 2.8275	¼-par cpm	0.53	¼-par pm	0.18
Belgium	51.65 - 52.10	51.75 - 51.85	3-2cpm	0.58	5-4pm	0.35
Denmark	9.6875 - 9.8275	9.6925 - 9.7025	6½-8⅞ oredis	-9.44	8¾-10⅞dis	-4.00
Ireland	0.9550 - 0.9710	0.9540 - 0.9550	1.70-0.90cpm	16.34	2.90-2.25pm	10.79
Germany	2.5075 - 2.5300	2.5075 - 2.5125	¼-¼pfdis	-0.90	¼-¼dis	-0.40
Portugal	222.00 - 226.75	222.00 - 223.00	3-13cdis	-0.43	8-23dis	-0.28
Spain	175.90 - 177.25	176.35 - 176.65	4-84cdis	-2.99	285-342dis	-7.10
Italy	2106.50 - 2125.25	2112.75 - 2113.75	14-18lirediss	-9.09	40-45dis	-8.04
Norway	10.1700 - 10.2775	10.1800 - 10.1900	6¾-12oredis	-11.12	11¼-19¼dis	-6.14
France	8.4475 - 8.5425	8.4600 - 8.4700	¼-2¼cdis	-2.39	2¼-4¼dis	-1.77
Sweden	9.4025 - 9.5100	9.4200 - 9.4300	11¼-20oredis	-19.81	23¼-31dis	-11.62
Japan	204.75 - 207.25	206.25 - 207.25	1-¼ypm	5.08	2¾-2¼pm	4.96
Austria	17.65 - 17.89	17.65 - 17.68	1¼-¼gropm	0.60	2¾-2¼pm	0.98
Switzerland	2.1925 - 2.2200	2.1950 - 2.2050	¼-¼cpm	2.73	1¼-1¼pm	2.39
Ecu	1.2775 - 1.2950	1.2795 - 1.2805	0.52-0.76cdis	-6.00	0.99-1.26dis	-3.52

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.43-4.38pm. 12 Month 7.90-7.80pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7140 - 1.7340	1.7295 - 1.7305	0.85-0.83cpm	5.83	2.44-2.41pm	5.61
Ireland†	1.7800 - 1.8085	1.8080 - 1.8090	3.50-2.50cpm	19.91	7.00-5.50pm	13.82
Canada	1.2410 - 1.2490	1.2455 - 1.2465	0.19-0.22cdis	-1.97	0.65-0.75dis	-2.25
Netherlands	1.6305 - 1.6575	1.6315 - 1.6325	0.80-0.83cdis	-5.99	2.36-2.41dis	-5.85
Belgium	29.90 - 30.25	29.90 - 30.00	14.50-15.50cdis	-6.01	42.00-46.00dis	-5.88
Denmark	5.6025 - 5.6825	5.6025 - 5.6075	4.05-4.15oredis	-8.78	11.40-11.70dis	-8.24
Germany	1.4500 - 1.4750	1.4505 - 1.4515	0.69-0.71pfdis	-5.79	2.02-2.05dis	-5.61
Portugal	128.00 - 131.75	128.45 - 128.55	300-500cdis	-37.35	650-1000dis	-25.68
Spain	101.80 - 103.00	102.20 - 102.30	80-82cdis	-9.51	245-250dis	-9.68
Italy	1220.00 - 1237.00	1221.25 - 1221.75	14.00-19.00lirediss	-16.21	40.00-48.00dis	-14.41
Norway	5.8700 - 5.9425	5.8850 - 5.8900	7.00-8.50oredis	-15.80	16.50-18.00dis	-11.72
France	4.8850 - 4.9750	4.8900 - 4.8950	3.70-4.30cdis	-9.81	9.50-10.50dis	-8.18
Sweden	5.4325 - 5.5075	5.4450 - 5.4500	11-14.00oredis	-27.54	22.00-23.50dis	-16.70
Japan	119.00 - 120.25	119.45 - 119.55	0.09-0.10ydis	-0.95	0.24-0.25dis	-0.82
Austria	10.2275 - 10.3550	10.2350 - 10.2400	4.60-4.95grodis	-5.60	13.70-14.70dis	-5.55
Switzerland	1.2690 - 1.2850	1.2705 - 1.2715	0.39-0.42cdis	-3.82	1.14-1.18dis	-3.65
Ecu	1.3200 - 1.3540	1.3525 - 1.3535	1.25-1.15cpm	10.64	2.90-2.70pm	8.28

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Sep 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼ - 9	9¼ - 9	9¼ - 9⅛	9 - 8¾	8½ - 8⅜	8⅜ - 8¼
US Dollar	3½ - 3¼	3½ - 3¼	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Can. Dollar	4½ - 4¼	4½ - 4¼	5¼ - 5	5⅜ - 5⅝	[illegible]	6 - 5⅞
Dutch Guilder	8¼ - 8	9 - 8¾	8⅞ - 8½	[illegible]	[illegible]	[illegible]
Swiss Franc	7¼ - 7	7¼ - 7	7 - 6⅞	7 - 6⅞	7 - 6⅞	[illegible]
D-Mark	9¼ - 9	9¼ - 9	9 - 8⅞	[illegible]	[illegible]	[illegible]
French Franc	19 - 16	14 - 13	14 - 13	13 - 12	11 - 10	10¼ - 9¾
Italian Lira	20 - 16	20 - 17	19¼ - 18	18¼ - 17¼	17½ - 16½	16½ - 15½
Belgian Franc	9¼ - 9¼	9⅜ - 9⅛	9⅛ - 8⅞	9¼ - 8⅞	8⅞ - 8⅝	8½ - 8⅜
Yen	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅛ - 4¼	3⅞ - 3¾	3⅞ - 3¾
Danish Krone	11 - 10½	11½ - 11¼	11½ - 11¼	11½ - 10¾	10¾ - 10½	10½ - 10¼
Asian $Sing.	1⅜ - 1¼	1½ - 1¼	1⅜ - 1¼	1⅜ - 1¼	2¼ - 2	2¼ - 2⅛
Spanish Peseta	17 - 12	15 - 13	14¾ - 14¼	14 - 12½	13½ - 12½	14 - 13

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4¾-4⅝ per cent; four years 5¼-5⅛ per cent; five years 5¾-5⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.730	2.510	206.7	8.465	2.200	2.822	2113	2.151	51.60	176.5	1.280
$	0.578	1	1.451	119.5	4.893	1.272	1.631	1221	1.243	29.94	102.0	0.740
DM	0.398	0.689	1	82.35	3.373	0.876	1.124	841.8	0.857	20.64	70.32	0.510
YEN	4.838	8.370	12.14	1000	40.95	10.64	13.65	10223	10.41	250.6	853.7	[illegible]
F Fr.	1.181	2.044	2.965	244.2	10.	2.599	3.334	2496	2.541	61.19	208.5	1.512
S Fr.	0.455	0.786	1.141	93.95	3.848	1	1.283	960.5	0.978	23.55	80.23	0.582
N Fl.	0.354	0.613	0.889	73.25	3.000	0.780	1	748.8	0.762	18.36	62.54	0.454
Lira	0.473	0.819	1.188	97.82	4.006	1.041	1.336	1000	1.018	24.51	83.50	0.606
C$	0.465	0.804	1.167	96.09	3.935	1.023	1.312	982.3	1	24.08	82.05	0.595
B Fr.	1.931	3.340	[illegible]	399.0	16.34	4.247	5.448	4079	4.153	100.	340.7	2.471
Pta	0.567	0.980	1.422	117.1	4.796	1.246	1.599	1197	1.219	29.35	100.	0.725
Ecu	0.781	1.352	1.961	161.5	6.613	1.719	2.205	1651	1.680	40.47	137.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
[illegible]

LIFFE BUND FUTURES OPTIONS
[illegible]

LIFFE EUROMARK OPTIONS
[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS
[illegible]

LIFFE SHORT STERLING OPTIONS
[illegible]

LONDON (LIFFE)
[illegible]

CHICAGO
[illegible]

PARIS
[illegible]

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	90.13	90.21	90.10	90.21
Mar	90.71	90.79	90.68	90.78
Jun	91.02	91.06	91.02	91.06
Sep	91.22			91.23

Estimated volume 1429 (1129)
Previous day's open int. 10207 (10302)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	93.22	93.36	93.18	93.37
Mar	93.52	93.63	93.49	93.64
Jun	93.62	93.71	93.59	93.73
Sep	93.72	93.74	93.72	93.83

Estimated volume 6474 (6529)
Previous day's open int. 38378 (39463)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	85.59	85.80	85.40	85.84
Mar	86.80	86.90	86.80	87.00
Jun	87.08			87.28
Sep	87.18			87.38

Estimated volume 738 (1068)
Previous day's open int. 15730 (15960)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2621.0	2642.0	2612.0	2658.0
Mar	2651.5	2669.0	2647.0	2689.0
Jun				

Estimated volume 8986 (11263)
Previous day's open int. 45456 (43402)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7300	1.7216	1.7050	1.6860	1.6515

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.13	0.35	-
106	-	-	-	0.23	0.53	0.60
107	2.61	-	-	0.37	0.74	-
108	1.91	-	-	0.61	-	-
109	1.26	-	-	0.95	-	-
Open int.	338,990	75,748	202	221,974	61,603	1,300

Estimated volume 61,886 † Total Open Interest 691,417
† All Yield & Open interest figures are for the previous day

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk	9
Allied Trust Bank	10	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Dao Heng Bank (Lux) Plc	11	Mount Banking	9
● Henry Ansbacher	9	Duncan Lawrie	9	NatWestminster	9
B & C Merchant Bank	13	Equatorial Bank plc	9	Northern Bank Ltd	9
Bank of Baroda	9	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	9	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	9	● Robert Fleming & Co.	9	● Rea Brothers	9
Bank of Ireland	9	Robert Fraser & Ptnrs	9.5	Roxburghe Bank Ltd	10
Bank of India	9	Girobank	9	Royal Bk of Scotland	9
Bank of Scotland	9	● Guinness Mahon	9	● Smith & Williamson Secs	9
Banque Belge Ltd	9	Habib Bank AG Zurich	9	Standard Chartered	9
Barclays Bank	9	● Hambros Bank	9	TSB	9
Brit Bk of Mid East	9	Hampshire Trust Plc	13.5	Unibank plc	9
● Brown Shipley	9	Heritable & Gen Inv Bnk	9	● United Bk of Kuwait	9
CL Bank Nederland	9	● Hill Samuel	9	Unity Trust Bank Plc	9
Citibank NA	9	C. Hoare & Co.	9	Western Trust	9
City Merchants Bank	9	Hongkong & Shanghai	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	Julian Hodge Bank	9	Yorkshire Bank	9
Co-operative Bank	9	● Leopold Joseph & Sons	9	● Members of British Merchant Banking & Securities Houses Association.	
Coutts & Co	9	Lloyds Bank	9		
		Meghraj Bank Ltd	9		

MONEY MARKETS

Markets uncertain

RATES in the sterling cash market softened yesterday, but the market seemed unwilling to take firm positions against the uncertain backdrop for base rates and the UK economy.

Those who are looking for a short-term cut in base rates will watch several events this week. One is the Bundesbank council meeting on Friday which may bring a cut in rates to compensate for the slowdown in the German economy.

The other is the Labour conference in Blackpool: dealers wonder whether a politically-motivated rate cut could spike Mr John Smith's first conference as Labour leader.

But other dealers argued that a rate cut was unlikely for three reasons. First, the combined efforts of the Bundesbank and the Bank of France have meant that the French franc has probably evaded devaluation, taking the pressure off the German central bank to cut rates.

Secondly, German call money was at a low level of 8.75 per cent yesterday because of the huge number of D-Marks injected into the financial system by the Bundesbank's interventions, forcing the German authorities to cancel this week's "repo" operation and making the case for a rate cut even less likely. The cost of living in Bavaria also climbed 0.2 per cent in the month to mid-September, creating a year-on-year rise of 3.9 per cent.

Rates in the sterling cash market were softer on thin trade, with the 3-month rate closing at 9⅛ per cent on the offered side from a previous close of 9¼ per cent. 1-month money closed at 9¼ per cent. A market looking for a rate cut might have been expected to deal in 1 month money at around 8¾ per cent.

Futures traders were much more bullish about the prospects for a rate cut: the December contract closed at 91.82, 4 basis points up from its previous close. Strictly speaking, this assumes that 3 month money in December will be at 8.18 per cent.

After forecasting a shortage of £1.15bn, the Bank of England purchased £1m of Band 1 bank bills at 8¾ per cent and £960m in a repurchase agreement at 8 13/16 per cent. In the afternoon, the forecast was revised to £1.15bn. The Bank purchased £175m of Band 1 bank bills and provided late assistance of £20m.

UK clearing bank base lending rate 9 per cent from September 22, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.28) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm

Prime rate	6
Broker loan rate	5
Fed funds	3¼
Fed funds at intervention	3¼

Treasury Bills and Bonds

One month	2.31	Three year	4.23
Two month	2.85	Five year	5.28
Three month	2.84	Seven year	5.88
Six month	2.93	10-year	6.36
One year	3.04	30-year	7.35
Two year	3.79		

Sep 28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.60-8.85	8.80-9.00	8.80-9.00	8.80-9.00	8.80-9.00	9.50
Paris	21-24	11½-13½	10½-11½	10½-11½	10½-11½	9.60
Zurich	7¼-7½	6⅞-6⅞	-	6⅞-6⅞	-	-
Amsterdam	8.81-8.93	8.75-9.00	-	8.75-8.85	-	-
Tokyo	4⅛-4½	4⅛-4¼	-	4⅛-4¼	-	-
Milan	17¼-17¾	18¼-18¾	-	17⅞-18¼	-	-
Brussels	-	9⅛-9⅜	-	9½-9¼	-	-
Dublin	15-25	13-14	12½-13½	12½-13½	11½-12½	-

LONDON MONEY RATES

Sep 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]					
Interbank Bid	[illegible]					
Sterling CDs	[illegible]					
Local Authority Deps.	[illegible]					
Local Authority Bonds	[illegible]					
Discount Mkt Deps	[illegible]					
Company Deposits	[illegible]					
Finance House Deposits	[illegible]					
Treasury Bills (Buy)	[illegible]					
Bank Bills (Buy)	[illegible]					
Fine Trade Bills (Buy)	[illegible]					
Dollar CDs	[illegible]					
SDR Linked Dep. Offer	[illegible]					
SDR Linked Dep. Bid	[illegible]					
ECU Linked Dep. Offer	[illegible]					
ECU Linked Dep. Bid	[illegible]					

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

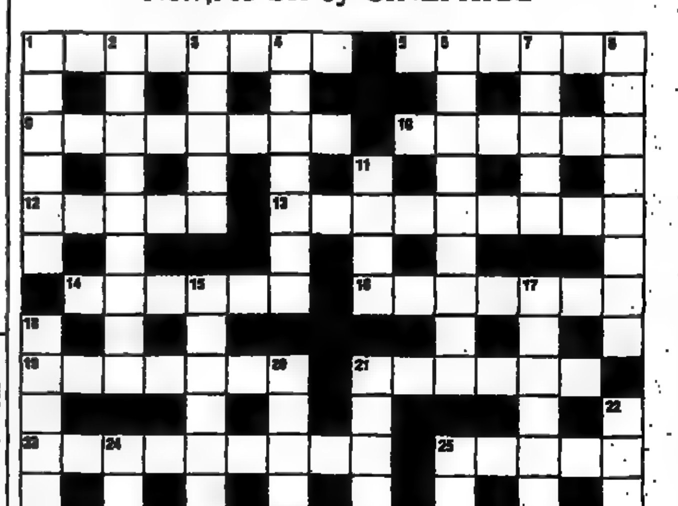
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,963 Set by CINEPHILE

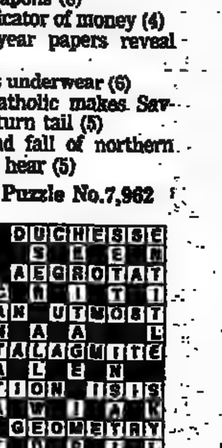


C has the same meaning wherever it occurs in the clues

ACROSS
1 Childless person for church, unavoidably (8)
5 Importance is what turns the scales (6)
9 Asked for paper in conclusion (8)
10 Attack devil with crooked gun (6)
12 Best and future C? (5)
13 Tie foxes flushed from coverts, possibly (5,4)
14 Garden bird advancing shorewards? (6)
16 Is it right to make one student cheat? (7)
19 Steal back into branch for highbrow movie (3,4)
21 Pillar of the press? (6)
23 Joke about habit taking blame for C (9)
25 Rendering of the wall for primate (5)
26 They increase stature on leaving Cs (6)
27 Exist, possibly asleep, on Cs (3,5)
28 Mother's character? (6)
29 Fire-resistant material, ideal during a distress signal (8)

DOWN
1 Discourse before a church (6)
2 C arranged for torque (9)
3 Na beheaded in repugnance (5)
4 Gorge C (7)
6 Characters in Hamlet returned to C (9)
7 Leave paramilitaries C (5)
8 Twopence short of a shilling for lyre rebuilt in sympathetic manner (8)
11 Produced C when raised (4)
15 C for Piggott eating something cold (9)
17 C, one that belongs in a beast (9)
18 C for Greek god holding French weapons (8)
20 Notice indicator of money (4)
21 Hundred year papers reveal tree (7)
22 C, female's underwear (6)
24 Eastern Catholic makes Savimbi's lot turn tail (5)
25 Decline and fall of northern people, we hear (5)

Solution to Puzzle No.7,962



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 28

INDICES

NEW YORK

DOW JONES	Sep 28	Sep 25	Sep 24	Sep 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3276.26	3250.32	3287.87	3278.69	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.93	102.64	102.84	102.81	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1284.62	1273.34	1287.05	1274.75	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.96	219.08	218.70	218.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3283.01 (3292.20) Low 3226.55 (3226.82) (Theoretical)
Day's High 3276.26 (3289.50) Low 3203.03 (3233.84) (Actual)

STANDARD AND POOR'S	Sep 28	Sep 25	Sep 24	Sep 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.62	414.35	418.47	417.44	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	489.99	487.23	493.39	492.89	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.54	35.46	35.47	35.07	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	228.70	227.73	229.98	229.42	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	377.25	378.49	380.94	379.91	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	575.34	577.20	585.93	582.96	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 23	Sep 16	Sep 9	year ago (approx.)
S & P Industrial div. yield	2.68	2.63	2.64	2.73
S & P Indl. P/E ratio	27.57	27.77	27.46	21.15

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

MONTREAL

4 pm close September 28

TOKYO - Most Active Stocks

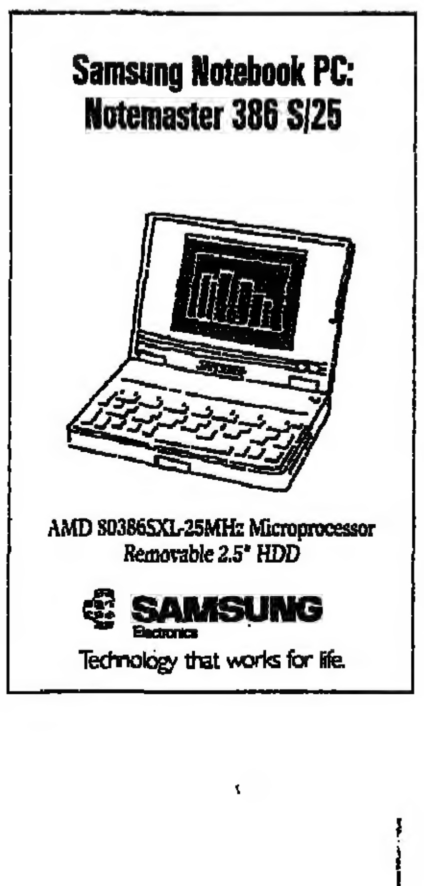
Monday, September 28 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Mining	12.0m	506	-11	Nippon Mining	2.9m	459	-14
Itoman	3.8m	124		Nikkan Chem	2.7m	980	+9
Aishin Seiki	3.8m	672	-29	Seika Sangyo	2.6m	699	+1
Hazama-Gumi	3.3m	565	+11	Meiji Milk	2.4m	891	-29
Minebea	3.0m	606	-4	NEC	2.3m	717	-14

4 pm close September 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11½	AAR Corp	0.48	4.1	19	60	11⅞	11⅝	11¾	-¼
26	18	A L Labs A	0.18	0.8	82	174	23½	22⅞	23	-⅛
68¾	52⅝	AMP Inc	1.52	2.5	24	772	61	60	61	+⅞
80¼	55	AMR			21	2303	58⅝	56⅞	58⅝	+1⅛
2⅝	1⅛	ARX			18	80	1⅝	1⅝	1½	-⅛
53½	33⅞	ASA	2.00	5.7	23	208	35⅝	34¾	35	-⅝
34¼	26⅛	Abbott Lab	0.60	2.1	20	1304	28⅛	27⅞	28¼	-⅛
13⅞	11⅞	Abitibi Pr	0.50	4.2	6	10	11⅞	d11⅞	11⅞	
11⅝	10⅝	ACM Gvl In	1.08	9.4		211	11⅝	11¼	11⅜	
10⅝	9⅛	ACM GvOpp	0.79	8.2		187	9⅝	9⅝	9⅝	
9⅞	8⅞	ACM Gvt Sp	0.87	9.0		311	9⅝	9½	9⅝	
11¼	10⅝	ACM Gvt Sc	0.96	8.5		643	u11⅝	11⅛	11¼	+⅛
10⅝	8⅝	ACM Man	1.08	10.3		501	u10⅝	10½	10½	-⅛
12⅞	9⅞	ACM Managd	1.15	11.4		123	10⅛	10	10⅛	
11⅜	4¾	Acme Cleve	0.40	5.9	13	31	6¾	6⅝	6¾	
6⅛	4⅛	Acme Elect			33	2	4½	d4⅛	4⅛	-⅛
33¼	14⅛	Acuson			10	380	16	15⅝	15⅞	-⅛
20	18⅛	Adams Expr	0.48	2.4	1	74	19⅝	19⅝	19⅝	
49⅛	29½	Ad Micro	3.00	8.1		6	37¼	37¼	37¼	
21½	7⅛	Ad Micro P	3.00	25.8		43221	11⅝	11	11⅝	+⅛
9⅞	4⅞	Advest Grp	0.16	2.8	70	21	5⅝	5⅝	5⅝	-⅛
41⅝	33	Aegon ADR	1.68	4.1	7	72	40⅝	40	40⅝	+⅛
47	38	Aetna Lf	2.76	6.7	10	952	41⅛	40⅝	41⅛	+⅛
12⅞	8⅝	Affil A	0.21	2.0	12	396	10⅝	10½	10⅝	+⅛
34	24	Aflac	0.44	1.4	15	1508	31⅛	30⅝	30⅝	-⅛
19⅝	13⅞	Ahmanson	0.88	6.3	8	919	14	13¾	13⅞	+⅛
22½	4½	Aileen Inc			8	36	5	4⅞	4⅞	-⅛
[illegible]										



Continued on next page

هكذا من الأصل

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55	50½	Xerox4 125				5	52¼	52½	52¾	
34¼	24⅞	Xtra 1.94	1.94	5.8		9	33¼	32½	33¼	+½
47½	28½	Xtra Corp	0.80	1.8	13	80	45½	44⅞	45½	+⅛
30¼	25¼	Yankee Egy	1.65	5.5	14	107	30	29½	30	+⅛
1½	½	Zapata				25	476	1⅛	1	1 −⅛
11⅛	6¼	ZenithElec					42330	6¼	d6	6⅛ −⅛
19½	14½	Zenith Nat	1.00	5.9	8	20	17	17	17	−¼
7½	6	Zenis Inc x	0.82	11.5		28	7⅛	7⅛	7⅛	
13¾	10	Zero Corp	0.40	3.5	18	80	11½	11¼	11½	+¼
38	27¾	Zurn Ind x	0.88	2.8	34	194	31¼	30¾	31¼	+⅛
14⅛	12	Zweig Fund	1.14	8.8		58	13	12⅞	13	
11	9½	Zweig Totl	0.86	8.1		414	10½	10⅜	10½	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 28

NASDAQ NATIONAL MARKET

4 pm close September 28

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		20	2149	18¼	17¾	18⅛	+⅛
Xoma Corp		5	1530	10¾	d10	10⅛	−⅞
Yellow Fr	0.94	20	1464	23⅞	22⅛	23⅝	+1⅜
York Rsch		6	967	6$\frac{11}{16}$	6¼	6$\frac{7}{16}$	+$\frac{3}{16}$
ZionsUtah	1.44	11	58	u59	57	59	+¾

AMERICA

Dow trades in narrow range at midsession

Wall Street

US stock markets were stuck in a narrow range with trading subdued by losses on overseas equity markets and poor data on the domestic economy, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up just 0.27 at 3,250.59, the index having spent the entire morning no more than 5 points above Friday's close. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.28 at 414.07, while the Amex composite was down 0.99 at 377.50 and the Nasdaq composite lost 2.81 to 574.39. Turnover on the NYSE was 88m shares by 1 pm.

Turmoil in European financial markets continued to cloud investor sentiment. With Europe trapped in a financial and economic quagmire, the chances of an export-led recovery that many US investors had hoped for now appears less likely.

Combined with last week's bad news on durable goods orders, and personal income and spending, the outlook for US economic growth remains bleak: investors can only hope for another cut in domestic interest rates, although analysts doubt that the Federal Reserve will make such a move in the near future.

Among individual stocks, BF Goodrich fell $1¼ to $41 after the company warned that third quarter earnings would come in below the 43 cents a share it made in the second quarter, and even below the 30 cents a share that many analysts had forecast.

Goodyear fell $1⅛ to $57⅞ after reporting that revenues in the third quarter would be close to the $3.1bn earned in the previous three months. Although Goodyear predicted a strong fourth quarter output schedule, investors might have been unnerved by the resignation yesterday of the company's chief financial officer.

Chemical Bank rose $⅞ to $32¼ in busy trading after the broking house Oppenheimer upgraded the stock from "market-performer" to a "short-term buy". There was no immediate explanation for the upgrade.

Oakwood Homes firmed $⅞ to $14 on reports that analysts expect mobile-home stocks to benefit from demand for low-priced housing if difficult economic conditions persist.

Gulf Canada, quoted on the American Stock Exchange, jumped $⅛ to $4¼ after the company said that testing confirmed the likelihood of a large gas field in South Sumatra. Gulf has a 54 per cent interest in the field.

On the Nasdaq market, Home Intensive Care dropped $¾ to $3¼ after warning that third quarter results would come in below analysts' forecasts. Another warning about forthcoming results saw Advanced Logic fall $⅛ to $4¼.

Canada

TORONTO fell as the Canadian dollar weakened after a poll suggested that support for Canada's national unity deal had fallen to 42 per cent from 58 per cent a month ago. The TSE-300 composite index was down 19.3 at 3,366.2 in volume of 13.6m shares. Declines led advances 228 to 152 in turnover of C$153.7m.

The prospect of higher interest rates depressed banks with Bank of Montreal falling C$⅝ to C$45¼ and Toronto Dominion easing C$⅛ to C$17⅛.

SOUTH AFRICA

JOHANNESBURG drifted sideways in thin trading. The industrial index bounced off lows to close 4 down at 4,197 and the overall index was 6 lower at 3,202. The gold index dropped 11 or 1.2 per cent to 903.

EUROPE

Corporate and economic news depresses bourses

BOURSES fell as a weakening dollar, bearish comment on major companies and profit-taking combined to undermine share prices, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Sep 28							
Hourly changes							
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
1021.32	1018.69	1019.40	1020.55	1018.49	1015.94	1015.51	1016.40
Day's High 1021.32				Day's Low 1014.92			
Sep 25	Sep 24	Sep 23	Sep 22	Sep 21			
1035.63	1041.31	1043.77	1044.34	1050.43			

Base value 1000 (26/10/90).

FRANKFURT saw a weekend report predicting operating losses at Volkswagen and pessimistic forecasts for the west German economy from the Ifo economic research institute. The DAX index ended 38.32, or 2.5 per cent lower at 1,475.04, and just 6.13 points above its 1992 closing low.

Turnover fell from DM4.6bn to DM3.8bn. Ifo said on Sunday that the business climate in west Germany had clearly deteriorated in August, and saw no improvement over the next six months. Falling export orders and order backlogs were causing widening production cutbacks and occasional price reductions, it added.

VW fell another DM17.30, or 5.9 per cent to a four-year low of DM276. The weekend stories underlined questions about the pricing of its new Golf model for which, according to outside estimates, production is now running at some 50,000 to 60,000 a month and still building up compared with 75,000 a month at peak for the old Golf. One downgrade yesterday took VW's 1993 EPS down from DM30 to DM20 a share.

MILAN saw Olivetti drop 3.4 per cent after the computer company released worse than expected interim results. Elsewhere, share prices closed mixed but slipped in after-hours trading.

The Comit index fell 1.15 to 360.45 in turnover estimated at between L70bn-L80bn after Friday's L80.9bn.

Olivetti fell L57 to L1,625 on news that its losses had widened in the first six months to L93bn from L74bn in the year-ago period. Dealers said that the results prompted selling by speculators.

Fiat gained L2 to L3,450 at its official settlement but then fell back to L3,380 in the after market, in the wake of last Thursday's 54 per cent drop in first half pre-tax profit. There were reports in the afternoon that several analysts who attended a briefing with Fiat were cutting their forecasts for 1992 results. Forecasts for 1992 net profit now range from L400bn to L600bn, mainly generated by asset sales, sharply down from L1.11 trillion in 1991.

PARIS dropped 4 per cent, reflecting the weaker dollar and frustration that the central bank had not yet lowered domestic interest rates. The CAC-40 index fell 73.27 to 1,770.26 in turnover of FFr2bn.

Most of the fall was to be seen in the big blue chips, with Total falling FFr9.30 to FFr210.10 after remarks to analysts by the chairman Mr Serge Tchuruk. Elf dropped FFr19.80 to FFr350.20 while Peugeot lost FFr34 to FFr541 and Michelin lost FFr10 to FFr196.50.

Bucking the trend was Primagaz which rose FFr27 or 3.6 per cent to FFr787, the best performance of the day, in the wake of its pleasing interim figures.

STOCKHOLM fell 3.7 per cent in thin trading to its second consecutive low for the year, as sentiment remained depressed by high domestic interest rates. The Affärsvärlden General index fell 25.5 to 672.4 in turnover of SKr407m after SKr456m.

Astra A free shares, the day's most actively traded stock with turnover of SKr100m, fell SKr17 to SKr526 while Ericsson's B frees lost SKr6 to SKr109 on domestic selling.

Electrolux fell further amid rumours that the company will lower, or cancel its dividend for 1992. The B frees closed SKr12 lower at SKr166. The company had no comment.

OSLO fell almost 2 per cent, hit by a weaker dollar and by declines on foreign share markets. The all-share index closed 6.37 lower at 323.62 in extremely thin turnover of NKr97m.

Norsk Hydro rose SKr1 to SKr141 on the suspension of shares in the chocolate and confectionery maker, Freia Marabou, 44 per cent owned by Norsk. Kraft General Foods later said that it was offering to buy Freia Marabou for NKr450 per share, valuing the company at NKr8.8bn.

AMSTERDAM was upset by further falls in Pirelli NV following the release of disappointing interim results after Friday's close. The tyre group, in which its Italian parent holds an 80 per cent stake, lost 13.7 per cent as its shares fell Fl 3.30 to Fl 20.70, its lowest close since March. The company also forecast further losses in the second half and warned of further restructuring. The CBS Tendency index fell 1.4 or 1.25 per cent to 110.8.

ZURICH sold on the good news, following yesterday's referendum votes in favour of sharp cuts in stamp duties on securities transactions, and on expensive plans for modernising trans-Alpine transport. The SMI index fell 31.6, or 1.7 per cent to 1,879.2.

MADRID remained stuck in negative mood as the general index built on last week's fall with another fall of 4.75 to 195.02 while the Ibex was 2.6 per cent weaker. Telefónica shed Pta29 to Pta996.

BRUSSELS was weaker as Clabecq, the steel group, was suspended after announcing bigger-than-expected losses for 1991/92. The Bel-20 index closed down 8.96 at 1,109.10.

Clabecq, suspended at Friday's close of BFr558, cited lower productivity in the first half combined with weakness in global steel prices for the fall in earnings.

DUBLIN's ISEQ overall index dropped 31.19 or 2.6 per cent to 1,189.50 on fears that the central bank's three-point rise in its key interest rate to 13.75 per cent as well as the punt's appreciation against sterling would harm Irish company profits.

VIENNA followed senior bourses lower as the ATX index lost 11.01 or 1.3 per cent to 817.12. Bundesländer, the insurer, went against the trend, putting on Sch2 to Sch502.

ASIA PACIFIC

Nikkei falls below 18,000 on worries over high yen

Tokyo

THE Nikkei average fell below 18,000 for the first time since September 16 on worries over the effects of the high yen on the Japanese economy, *writes Emiko Terazono in Tokyo.*

The 225-issue index closed down 422.15 or 2.3 per cent at the day's low of 17,972.61, after hitting the day's high of 18,397.47. Although hopes that public funds would be invested in the stock market buoyed up share prices in early trading, the fall in the futures market prompted arbitrage-related selling.

Volume fell to 200m shares from 355m. Declines outnumbered advances by 634 to 320 with 167 issues remaining unchanged. The Topix index of all first section stocks fell 22.44 to 1,349.09 and in London the ISE/Nikkei 50 index rose 1.05 to 1076.21.

Market participants had expected the injection of public funds as a part of the government's package to support the financial system and stock market. However, traders said that the thin volume had possibly turned fund managers away.

Traders also blamed the higher yen for the fall in share prices. The yen moved to a new all-time high against the dollar, closing at Y119.65, prompting worries about foreign exchange losses at leading exporters.

High-technology issues and car manufacturers with high export ratios were lower. Hitachi lost Y17 to Y745 and TDK, the magnetic tape maker, fell Y190 to Y3,330. Honda Motor lost Y80 to Y1,280 and Nissan Motor Y9 to Y615.

Issues chosen as new components of the Nikkei average as of October 1, were traded actively. Hazama, the construction company, rose Y11 to Y555 and Seika, a machinery trader, gained Y1 to Y696. Minebea, however, lost Y4 to Y506 on profit-taking.

But issues due to be replaced in the index plunged. Godo Shusei fell Y100 to Y570, Daito Woolen Spinning & Weaving lost Y100 to Y420 and Takashimaya Y100 to Y863.

Itoman, the trading company which will be absorbed by Sumikin Bussan, an unlisted trading company affiliated with the Sumitomo group, saw heavy volume, but closed unchanged at Y124.

Mitsui Mining & Smelting led market volume, but fell Y11 to Y508 on profit-taking. The issue had previously gained popularity on reports of a gold mine discovery in southern Japan.

In Osaka, the OSE average fell 287.83 to 19,502.24 in volume of 13.4m shares.

Roundup

The Nikkei's fall below 18,000 in Tokyo undermined markets in the Pacific Basin yesterday. Taiwan was closed for a holiday.

HONG KONG closed sharply lower amid political uncertainties and the Hang Seng index fell 88.96 to 5,597.2, but off its day's low of 5,579.46. Turnover was a thin HK$1.57bn against HK$1.67bn on Friday.

HSBC Holdings, which topped the most active list, fell HK$1.50 to HK$54 and Swire Pacific eased 50 cents to HK$35.75.

AUSTRALIA closed fractionally higher after staying in negative territory for most of the day. The All Ordinaries ended 0.1 up at 1496.5, but turnover was thin at A$181.9m.

The Westpac share issue shortfall continued to weigh on banks. Westpac slipped 1 cent to A$2.85 after topping the industrial trading list with 5m shares traded.

NEW ZEALAND dropped to a five-month low as investors sold Fletcher Challenge and other leading stocks. The NZSE-40 capital index fell 33.08 to 1,434.62, the lowest close since April, as FCL ended at NZ$2.00, down 15 cents on the day and 47 per cent lower since June 8. Turnover was moderately high at NZ$30m.

SEOUL fell in very thin trading as nervous investors remained on the sidelines. The composite index lost 8.19 to 516.04 with turnover at Won142.77bn following Won121.77bn in Saturday's half-day trading.

Brokers said political instability was the major culprit behind the market's weakness, since President Roh Tae-woo announced he would shortly quit the ruling Democratic Liberal party.

MANILA retreated as investors shifted from index-linked issues to secondary stocks. The composite index eased 3.14 to 1,386.47 in combined turnover of 1.09bn pesos from Friday's 340m pesos.

BANGKOK's property and finance shares lost ground in afternoon trading as the SET index suffered its greatest daily loss in two months, ending 10.10 or 1.2 per cent lower at 849.07 in turnover of Bt9.97bn. The major property company, Krisda Mahanakorn, fell by its 10 per cent limit, dropping Bt22 to Bt204.

Sweden and Spain lead European decline

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-1.39	+11.32	-22.49	-6.48	+4.55	-4.17
Belgium	-0.89	+4.17	-1.91	-3.63	+7.37	-1.56
Denmark	-1.43	-5.33	-29.27	-26.55	-17.36	-24.24
Finland	-1.06	+7.47	-30.03	-21.13	-23.89	-30.24
France	-2.06	+6.78	-1.45	+3.69	+16.66	+6.93
Germany	-4.60	+0.71	-11.19	-7.05	+3.66	-4.99
Ireland	-0.71	-1.21	-16.70	-12.69	-3.54	-11.58
Italy	-4.89	-8.77	-30.93	-27.59	-27.03	-33.12
Netherlands	-0.46	+3.10	+3.30	+4.44	+16.61	+6.88
Norway	-3.16	-1.71	-33.86	-19.47	-12.55	-19.84
Spain	-7.62	-2.42	-27.15	-18.97	-17.57	-24.44
Sweden	-8.14	-6.89	-25.63	-12.12	-4.28	-12.24
Switzerland	+0.57	+8.07	+12.45	+13.13	+29.03	+18.26
UK	+1.76	+12.87	-1.31	+4.06	+4.06	-4.62
EUROPE	-0.96	+6.48	-6.05	-1.27	+4.67	-4.06
Australia	-1.99	-4.02	-7.39	-11.60	-8.17	-15.82
Hong Kong	-0.05	+1.75	+44.76	+32.47	+45.45	+33.32
Japan	+1.41	-0.69	-23.23	-19.07	-8.42	-16.04
Malaysia	+2.92	+6.70	+14.76	+6.89	+26.44	+15.90
New Zealand	-0.31	-0.45	-1.16	-9.61	-1.96	-10.13
Singapore	-0.18	-2.49	-7.93	-16.54	-7.98	-15.65
Canada	-1.64	-0.26	-2.16	-4.65	-3.02	-11.11
USA	-1.93	0.00	+7.47	-0.54	+8.51	-0.54
Mexico	-2.83	-8.36	+1.70	-12.17	-6.00	-13.84
South Africa	+1.49	+1.58	-7.43	-9.04	-21.91	-28.42
WORLD INDEX	-0.71	+1.41	-6.13	-6.50	+1.83	-6.66

† Based on September 25th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By William Cochrane

Europe, once again, was the centre of share price volatility last week. Excluding the UK, it showed a fall of 2.9 per cent in local currency terms on the FT-A World Indices, the worst performers being Sweden and Spain.

In Sweden a government pledge to provide a safety net for the country's financial system was outweighed by heavy loan losses, domestic institutional illiquidity and fears for the property and construction sectors.

Spain introduced exchange rate controls, effectively closing the peseta forex market and stabilising the currency. "However", says Mr Stephen Hughes of Nikko Europe, "international investors pronounced their verdict on the intervention ... through massive selling of Spanish assets. Prices collapsed on both the fixed and variable income markets."

There was no obvious advantage, last week, in being in a hard or soft currency. Germany and Italy fell by similar amounts, the first because the strength of the D-Mark threatened its export margins and the second discovering that a stiff budget and high interest rates, designed to counter the weakness of the lira, were no obvious prescription for strength in equities.

The two rises of the week were in Switzerland, stimulated by the strength of its currency and a decline in short-term interest rates, and in the UK. Sterling did not lose a lot last week but it was enough to bring a 1.8 per cent rise in local currency terms down to one of 0.3 per cent in terms of the dollar.

Along with Europe, the land of the dollar helped push the FT-Actuaries World Index to a 0.7 per cent fall on the week.

The US only had two bad days in its 1.9 per cent fall. On Tuesday, it fell on a drop in bond prices; on Friday, a strong recovery in bonds was not enough to offset more bad economic news, and renewed uncertainty about the presidential election battle.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 28 1992								FRIDAY SEPTEMBER 25 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	128.05	-0.7	108.02	95.21	95.09	116.66	-0.1	4.20	126.98	109.77	96.68	97.97	116.72	153.68	124.36	151.32
Austria (19)	160.43	+0.5	137.48	121.19	121.02	121.27	-1.2	2.41	159.59	137.96	121.51	123.13	122.71	186.70	139.27	182.84
Belgium (42)	143.55	+1.1	123.02	108.43	108.29	106.03	-1.1	5.81	142.06	122.81	108.15	109.60	107.20	152.27	135.87	128.67
Canada (114)	120.16	-0.8	102.97	90.76	90.64	108.41	-0.4	3.26	121.16	104.74	92.24	93.47	108.83	142.12	120.16	135.83
Denmark (33)	204.82	+1.2	175.53	154.72	154.51	156.14	-1.0	1.82	202.38	174.96	154.09	156.14	157.65	279.94	196.78	257.27
Finland (15)	55.49	+2.0	47.56	41.92	41.86	53.66	+0.5	2.63	54.43	47.05	41.44	41.99	53.40	89.80	52.84	85.58
France (102)	159.61	-0.8	136.79	120.56	120.40	122.50	-3.4	3.67	160.87	139.07	122.48	124.11	126.81	168.75	148.06	144.70
Germany (64)	111.64	+0.1	95.68	84.34	84.22	84.22	-2.1	2.72	111.48	96.37	84.89	86.01	86.01	129.69	111.48	110.58
Hong Kong (53)	232.05	-1.3	198.86	175.28	175.06	230.29	-1.3	3.80	235.12	203.26	179.01	181.41	233.34	259.55	176.36	164.36
Ireland (16)	147.76	-0.4	126.63	111.62	111.47	115.13	-2.6	4.69	148.37	128.26	112.97	114.47	118.14	173.71	145.54	161.99
Italy (78)	51.23	+1.6	43.90	38.69	38.64	46.73	-0.2	4.46	50.42	43.59	38.39	38.90	46.83	80.86	49.25	72.70
Japan (473)	112.75	-1.1	96.63	85.17	85.07	85.17	-1.9	1.00	114.03	98.57	86.82	87.99	86.82	140.95	87.27	136.06
Malaysia (69)	250.65	+1.0	214.80	189.33	189.08	242.25	+1.0	2.70	248.23	214.59	188.99	191.51	239.91	250.65	212.49	198.42
Mexico (18)	1185.84	-1.1	1016.25	895.76	894.57	4024.46	-0.9	1.49	1198.64	1036.21	912.63	924.79	4062.65	1789.77	1185.84	1194.60
Netherland (25)	165.62	+1.5	141.94	125.11	124.94	123.37	-0.8	4.59	163.19	141.07	124.25	125.91	124.38	167.29	147.88	140.32
New Zealand (14)	40.92	-3.1	35.07	30.91	30.87	40.49	-2.7	5.46	42.22	36.50	32.15	32.57	41.64	48.52	40.92	47.40
Norway (22)	143.14	-0.1	122.67	108.13	107.99	114.39	-1.9	2.12	143.31	123.89	109.12	110.57	116.57	192.95	136.40	201.56
Singapore (38)	186.45	+0.6	159.78	140.84	140.65	137.73	+0.6	2.38	185.30	160.19	141.08	142.96	136.88	229.63	180.71	190.97
South Africa (61)	176.18	-1.1	150.98	133.08	132.90	157.01	-0.2	3.25	178.16	154.02	135.65	137.46	157.35	263.60	175.03	244.30
Spain (48)	116.82	-1.1	100.12	88.25	88.13	90.49	-2.5	8.57	118.18	102.16	89.98	91.18	92.84	161.72	115.94	158.04
Sweden (30)	156.39	-1.6	134.03	118.14	117.98	126.12	-3.4	3.26	158.97	137.42	121.04	122.65	130.61	200.28	156.39	189.93
Switzerland (60)	119.02	+0.3	102.00	89.91	89.80	93.79	-1.7	2.28	118.70	102.62	90.38	91.60	95.38	119.02	95.99	94.16
United Kingdom (228)	175.52	-0.7	150.42	132.57	132.39	150.42	-1.6	4.88	176.77	152.82	134.58	136.37	152.82	200.07	165.85	184.43
USA (522)	169.76	+0.5	145.48	128.24	128.07	169.76	+0.5	2.99	168.97	146.08	128.66	130.37	168.97	173.39	160.92	157.63
Europe (782)	141.36	-0.2	121.14	106.78	106.64	113.81	-1.9	4.14	141.70	122.49	107.89	109.33	115.97	156.88	138.52	143.63
Nordic (100)	147.25	-0.5	126.19	111.23	111.08	112.35	-2.4	2.66	147.99	127.93	112.67	114.18	115.13	188.52	147.25	187.14
Pacific Basin (715)	116.75	-1.1	100.05	88.19	88.07	90.25	-1.7	1.34	118.01	102.02	89.85	91.05	91.83	141.97	93.70	136.78
Euro - Pacific (1497)	126.71	-0.7	108.59	95.70	95.58	99.87	-1.8	2.60	127.59	110.30	97.14	98.44	101.68	145.21	113.80	139.84
North America (636)	166.67	+0.4	142.83	125.91	125.75	165.58	+0.4	3.00	165.99	143.50	126.40	128.09	164.88	170.49	158.70	156.21
Europe Ex. UK (554)	120.67	+0.1	103.41	91.17	91.05	93.67	-2.1	3.61	120.54	104.20	91.79	93.02	95.66	132.98	119.63	119.59
Pacific Ex. Japan (242)	155.91	-0.7	133.61	117.79	117.62	140.99	-0.5	3.74	157.02	135.74	119.57	121.18	141.84	175.31	149.00	143.79
World Ex. US (1690)	127.60	-0.7	109.35	96.39	96.26	101.77	-1.7	2.62	128.51	111.10	97.86	99.15	103.54	146.91	116.18	141.43
World Ex. UK (1984)	137.58	-0.2	117.89	103.92	103.78	119.89	-0.7	2.52	137.81	119.14	104.93	106.34	120.79	150.58	127.21	142.17
World Ex. So. Af. (2151)	140.70	-0.2	120.58	106.29	106.15	122.31	-0.8	2.77	141.02	121.91	107.38	108.81	123.35	153.05	130.04	145.20
World Ex. Japan (1739)	157.08	+0.1	134.61	118.66	118.51	144.23	-0.4	3.43	156.93	135.66	119.49	121.09	144.86	165.40	153.20	152.41
The World Index (2212)	140.85	-0.2	120.71	106.40	106.26	122.65	-0.8	2.77	141.19	122.05	107.50	108.94	123.68	153.70	130.66	145.84

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987